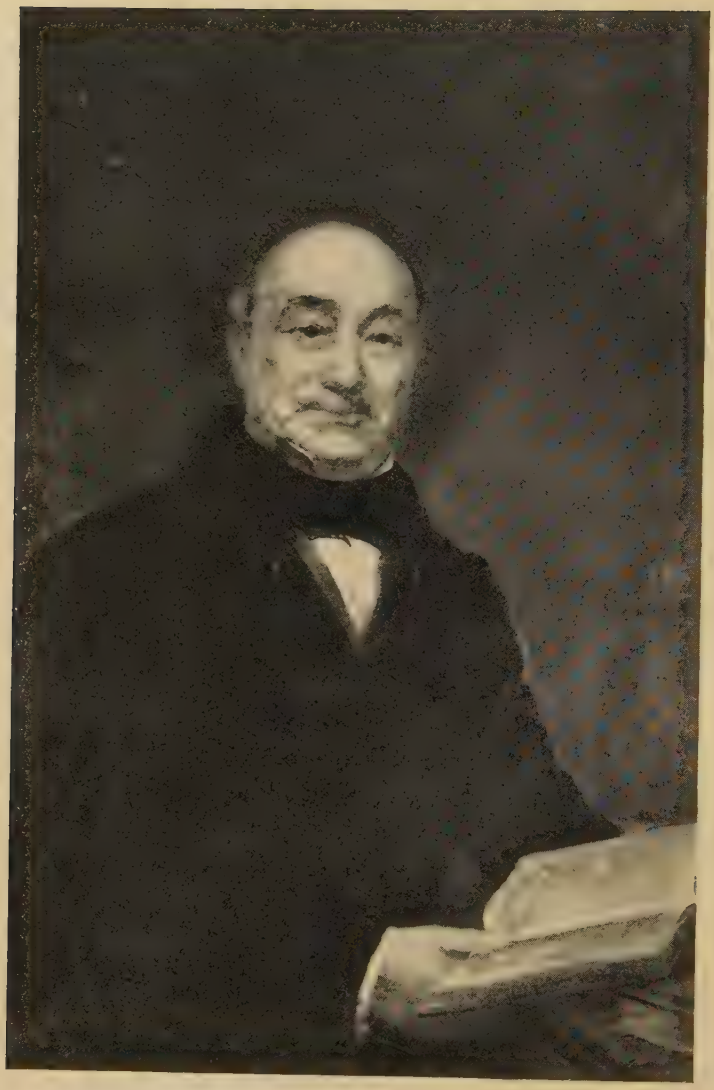

James De Peyster Ogden
First President
April 12, 1845—April 14, 1847

The
STORY OF NYLIC

A History of the Origin and Development of the New York Life Insurance Company from 1845 to 1929

by

LAWRENCE F. ABBOTT

FRASER

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Introductory

In turning these pages the reader will learn that in but a little more than eighty years the New York Life Insurance Company has grown from a fifty thousand dollar experiment into a billion, six hundred million dollar institution,—an increase of more than thirty thousandfold, or three million per cent. If there is any more dramatic illustration of the old and, perhaps, somewhat trite adage that great oaks from little acorns grow it would be difficult to find it in the annals of commerce and finance.

It is the purpose of this volume to describe the somewhat barren field in which the acorn was planted, the growth of the tree by decades from the sapling stage to its present sturdy and splendid size, the protection from the storm and stress of life which its outspreading branches have afforded to thousands of homes, and the unremitting care on the part of its officers, agents, clerical force and policy-holders to which it owes its strength and vitality.

The book is designed primarily, of course, for the Nylic* organization, but the aim has been to make it human and narrative rather than technical and statistical, and it is hoped that the story has been presented in such a way as to enlist the interest of the general reader.

---

*The familiar term Nylic, composed of the initial letters of the corporate title of the New York Life Insurance Company is used here, as it is in the Home Office, interchangeably with the more formal name. The word Nylic has also a special application to a system of extra compensation for meritorious service in the field force which will be described in the course of the narrative.

The annals of financial institutions are generally supposed to be dry and statistical. Like Canning's needy knife-grinder when a great financier is asked for his experience he is likely to exclaim:

Story! God bless you! I have none to tell, Sir.

But the fact is that the history of every human enterprise or organization is a drama or panorama of life.

It is the panoramic view of the New York Life which the writer has endeavored to unroll in these pages. Those who desire more technical information than the limits of space and time permit being tabulated here can always obtain it from the archives of the Company in consultation with the proper officials.

It will be impossible here to record the names of all those members of the staff of the New York Life, in the Home Office and in the Field, who have aided me in the work of preparing this volume. I can only say that every individual to whom I have applied for help has given it to me with painstaking care and interest. My experience in this respect confirms what was once said by an old and honored member of the Board of Directors, namely, that the personnel of the New York Life is distinguished "for harmony in action and union in the purpose to make for and out of it all that is in their power."

But special acknowledgment must be made to Vice President Walter Buckner for his clear account of the development of the European business; to Chief Actuary Arthur Hunter for his aid in treating the complicated mathematics of life insurance; to Actuary A. R. Grow for his laborious, careful and suggestive reading of the proofs; to Dr. Rogers and Dr. Lines, of the Medical Board, for their contribution to mortality statistics and kindred subjects; and above all, to President Kingsley and Vice President Thomas

A. Buckner for their conception of the idea of this book, their specific aid in the biographical and legislative portions of the work and their general encouragement and editorial supervision.

L. F. A.

New York
December 1, 1929

The Story of Nylic

CHAPTER I

The Origins of Life Insurance

BEFORE entering upon the actual story of the New York Life's activities it will be useful to inform ourselves of the remote beginnings of life insurance, and perhaps startling to look at a picture of the condition of the United States when the Company's first policy was written. As the career of a famous man cannot be rightly estimated without some knowledge of his ancestry and of the environment in which he was born, so it is impossible to grasp the significance of the achievements of the New York Life without an appreciation of its origins, its birthplace, and the social and economic conditions with which it had to struggle in its infancy. The first two chapters of this book will, therefore, be devoted to a general historic review.

It seems to be a law of human progress that a revolutionary idea often lies hidden in the mind of man for years, sometimes for generations, before it thrusts its way into popular consciousness. When it finally fires the public imagination men trample over each other in striving to exploit it. The development of aëronautics is a typical illustration of this law. The legendary Greek tale of Dædalus, who attempted to fly and came to grief, is purely mythological, but there were several Grecian fables of this type which indicate that the idea of man's flying existed, at least in visionary form, nearly five hundred years before Christ. It is said that Leonardo da Vinci, one of the most extraordinary geniuses that the world has ever produced, experimented with

flying machines in the fifteenth century and prophesied that human aviation would ultimately be developed. But what brought aërial navigation into the realms of the practiced arts was the invention of the balloon. In the latter part of the eighteenth century a Frenchman, Montgolfier, experimented with balloons and was the first man to make a lighter than air machine which would rise and sail through the atmosphere. And Washington, who was present at the first balloon ascension in America which took place at Philadelphia, January 9, 1793, asked American citizens to honor the aëronaut (a Frenchman named Blanchard) for his "efforts to establish and advance an art in order to make it useful to mankind in general."* For a hundred years this conception of the possibility of aërial navigation existed only in the embryonic stage. It was not until the beginning of the twentieth century that the embryo took definite form and the upper air became a medium for various kinds of machines of transportation. Society is now puzzling over the problem of the regulation of this new science and art. So it was with the steam locomotive. So it was with the automobile. So it was with life insurance, except that the period of its germination was much longer than in the case of the mechanical engines of transportation.

The existence of the principle out of which modern life insurance has developed was apparently dimly suspected by the Greeks and Romans, but it was more than a thousand years before it began to take material shape. The suddenness of the transformation of the visionary idea of insurance into a practical form of finance led men into singularly foolish and extravagant attempts to profit by it. Towards the end of the eighteenth century, at the time of the notorious South

*Henry Woodhouse, President the Aërial League of America.

Sea "bubble," English speculators organized all sorts of fantastic insurance schemes. The public was offered, says an English barrister writing on this speculative era,* one kind of policy for the "insurance of female chastity and another against divorces." It required years of regulation by government authorities and medico-actuarial scientists to subdue this wild and reckless speculation and to put life insurance on the sound and sure basis where it now firmly rests.

The origin of life insurance is shrouded in obscurity. It has already been intimated that there are those who think that its roots run back to the days of ancient Rome. But the words insurance and assurance are not of legitimate Roman origin. Both were made in the Middle Ages out of the Latin adjective *securus* and the Latin prepositions *in* and *ad*. It is possible that the Romans had the thing itself in a crude form, but they had no name for it. In Chaucer's time the old Saxon verb *insuren* or *ensuren* meant to make certain or secure. What insurance is intended to do, then, is to make a man's stake in his property or his life secure for himself, or his family, or his business associates.

In the early days of the institution the English made a distinction between the words insurance and assurance. A little more than a hundred years ago Charles Babbage, the English mathematician, differentiated the two words by saying that assurance refers to "a contract dependent on the duration of life" while insurance means "a contract relating to any other uncertain event." The distinction has been abandoned in this country, although it still prevails to some extent in Great Britain. All American policies, whether they

*Cornelius Walford, *Insurance Guide and Handbook,* published in 1857. Mr. Walford in 1870 became associated with Mr. Homans in the General Agency of Nylic for Great Britain and the continent of Europe.

deal with life, fire, casualty or marine losses, are uniformly called insurance policies. The differentiation drawn by Babbage between "assurance" and "insurance" was due to his conscientious devotion to mathematical facts. He once wrote in apparent seriousness to Tennyson with regard to some verses by that great poet:

> In your otherwise beautiful poem, there is a verse which reads—
>
> "Every moment dies a man,
> Every moment one is born."
>
> It must be manifest that were this true, the population of the world would be at a standstill. In truth the rate of birth is slightly in excess of that of death.
>
> I would suggest that in the next edition of your poem you have it read:
>
> "Every moment dies a man,
> Every moment $1\frac{1}{16}$ is born."
>
> Strictly speaking this is not correct. The actual figure is a decimal so long that I cannot get it in the line, but I believe $1\frac{1}{16}$ will be sufficiently accurate for poetry.

Members of the Nylic agency force doubtless will be pleased with this demonstration that actuarial accuracy can sometimes be carried to an extreme!

The real history of life insurance does not begin until the latter part of the sixteenth century, although for many centuries before that there are allusions in literature to events which have an atmosphere of insurance about them. The enterprise of Noah and the Ark, as related in Hebrew legend, might be called a combination of marine and life insurance. At all events, those who paid to Noah the premium of faith in his judgment successfully protected their lives and

property. The story of Shylock in "The Merchant of Venice" is really a kind of inverted marine insurance transaction. The policy-holder, Antonio, received the face of his policy from the underwriter, Shylock, before the occurrence of the event against which he desired insurance. If the event happened he was then to pay the premium,—a pound of flesh. Fortunately for Antonio, the policy was thrown out of court by that "most just judge," Portia, because Shylock, the underwriter, had overloaded the premium. It will be remembered that Portia decided that the premium of a pound of flesh could not carry as overloading even a single drop of blood. Possibly in writing "The Merchant of Venice" Shakespeare had in mind the fact that marine insurance originated in Italy when Venice was the great maritime city of the world. Indeed, the marine policies written in England in the sixteenth century were in the Italian language. The Italians were among the earliest people to use the principles of modern life insurance. An English insurance authority describes a life policy issued in Florence, Italy, in 1610. It was a term policy, good for about a year, for three thousand scudi (equivalent in purchasing power, perhaps, to $6,000 of our currency). The policy was written in medieval Latin; was issued by a group of underwriters; the premium was 3¾% of the face of the policy; and it was singularly modern in that the policy-holder had the right to reside or travel anywhere in the world.

It is generally believed that the first life insurance policy of which history has any record was written in London in 1583. It was a term policy of two thousand dollars for one year on the life of a man named William Gibbons. The policy was underwritten by sixteen men, and the premium was eight per cent of the face. The insured died twenty days before the expira-

tion of the year, and the underwriters endeavored to contest payment on the ground that twelve months are legally twelve times four weeks of twenty-eight days. By this method of calculation Gibbons' death would have occurred nine days after the expiration of the insured term. The courts, however, decided against this technical contention and the policy was paid. If it is true that this is the first instance of modern life insurance it will be seen that the principle, now followed conspicuously by the New York Life, of a reasonable and liberal rather than a restricted and technical interpretation of policy contracts was established in English law more than three hundred years ago.

The Gibbons case suggests two or three other reflections about modern life insurance. In the first place mutuality or coöperation is perhaps its most essential feature. When one individual insures another individual it simply amounts to a bet. The law of probabilities, which will be referred to a little later, hardly enters into the transaction. It is not recorded that there was any actuarial calculation or medical examination in the Gibbons case. What it amounted to was that sixteen men bet Gibbons two thousand to one hundred and sixty dollars that he would not die within a year. This betting form of insurance grew to be very prevalent in England in the eighteenth century and "wagering policies" were sustained by the courts as legal contracts, but they became so "objectionable as a species of gaming" that they were prohibited by statute in the time of George III and are invalid in the United States.

Even in so bald a wager as the Gibbons policy the value of mutual coöperation is disclosed, for the sixteen men divided the loss. The adjective "mutual" is of fundamental importance in life insurance. In a

mutual company the policy-holders are the sole proprietors. Under rules and regulations which they determine (subject to government approval) they share in all the losses or gains. In a stock company the stock-holders, like those of any other joint stock corporation, decide the terms upon which the policies are issued and the losses or gains distributed. The broad distinction between stock companies and mutual companies in life insurance lies in the fact that in mutual companies all profits belong to the policy-holders while in stock companies all profits on non-participating policies go to the stock-holders, and even on participating policies the stock-holders receive a part of the profits. In a non-participating policy the premium is fixed at as low a sum as can be safely determined in advance. After that it remains unchanged for the life of the policy and the holder has no share in the profits or savings that may be effected in the management or investment of his deposits. In a participating policy the premium is usually higher in the first instance than in a non-participating policy, but in a mutual company the savings or profits on a participating policy go to the policy-holder. The result is that while the first cost of a participating policy is higher than that on a non-participating policy, the final cost is so reduced by the dividends accruing on the policy that participating insurance in a well managed mutual company is the least expensive type of insurance. This, at all events, is the claim, justified by results, of the advocates of the mutual plan.

Life insurance has ceased to be a mere bet as it was in the Gibbons case, and has become a scientific method of estimating the duration of life by a study and application of the law of probabilities and the laws of hygiene, sanitation and therapeutics. It is for this

reason that in any successful and well regulated insurance company the Actuarial Department and the Medical Department are of very great importance. Both of these departments deal with what is known as the law of probability, a law which is the very essence of life insurance.

The law of probability, like the law of gravitation, has always existed in the universe. Our forefathers of the stone age knew that if they fell off the top of a cliff into the bottom of a ravine they would come down with a terrible, bone-breaking thump. But it remained for Sir Isaac Newton to explain why this unpleasant result happened. They also knew that the probability of death under a certain given set of circumstances could be foretold with some degree of accuracy. But it remained for a great Dutch mathematician, Christian Huygens, who flourished from 1629 to 1695, to formulate the law by which it appears that all events occur in accordance with a calculable chain of causes and that there is no such thing as haphazard or whimsical chance. The law of probability is thus stated for the layman by the late Dr. Lester W. Zartman in his "Yale Readings on Insurance":

> We are told by the philosophers that all the activities of the universe are obedient to law. Nowhere have they left any opportunity for the intrusion of chance. Events which appear to take place in a purely accidental way are just as much determined as those whose occurrence can be accurately foretold. The appearance of accident is due entirely to human limitations. It is because we do not know all the previous conditions or all the laws governing them that a particular phenomenon appears to us to occur by chance. In this sense, then, chance is purely subjective; it is merely

> an appearance, resulting from the imperfection of man's knowledge, and not a part of the course of external nature. But the term may be used also in an objective sense. By chance in that sense is meant the degree of probability that a particular event will occur, as it is estimated with the aid of all the attainable knowledge of the preceding conditions. If the only fact known about the condition of a number of balls in a bottle is that there is an equal number of white ones and of black ones, there is an even chance that the first ball to come out will be white, and this chance is independent of any personal peculiarities of the person who estimates it. . . . The degree of probability of the occurrence of an event . . . may vary all the way from absolute certainty that an event will not occur to absolute certainty that it will occur.

If the reader will take the trouble to look at the article entitled "Probability" in the thirteenth edition of the Encyclopædia Britannica his respect for the scientific character of life insurance will be greatly increased. The Britannica article of twenty-seven octavo pages is the most terrifying and unintelligible exhibit of abstruse reasoning that perhaps can be found in popular literature. The calculations which it reproduces are made up of equations, figures and symbols that look like Egyptian hieroglyphics. It would be impossible to quote them here without overtaxing the resources of the printer and the eyesight of the reader. But it may be illuminating to cite a paragraph from a simpler article in another popular encyclopedia* which explains the application of the doctrine of probability to the business of life insurance:

> A problem in life insurance, a subject to which

*Article "Probability" in the International Encyclopedia.

the theory of probability has been of indispensable service, will serve to show the applications of the subject. A table of mortality gives the numbers alive at each successive year of their age, out of a given number of children born. If l_n and l_{n+1} are the numbers in the table corresponding to the nth and $(n+1)$ years of age, the inference from the table is that of l_n individuals now alive and of n years of age, l_{n+1} will live one additional year at least. Hence the chance that any one of them die during the year is $\frac{l_n - l_{n+1}}{l_n}$. Calling this $1-p$, p is the chance that any one of them will survive the year. Of two individuals, one n years old, and the other n', what are the chances that (a) only one lives a year? (b) one, at least, lives a year? (c) both do not a live a year? Calling the individuals A and B, the chance of A living out the year is p, and the chance of his dying within the year is $1-p$. For B these are p' and $1-p'$. Hence that A lives and B dies the chance is $p(1-p')$. That B lives and A dies the chance is $p'(1-p)$. Hence the answer to (a) is $p+p'-2pp'$. The second case includes, in addition to the conditions of (a), the chance that *both* survive, which is pp'. Hence the answer to (b) is $p+p'-pp'$. In the third case the chance that both live a year is pp'. Hence the chance that both will not live, i. e., that at least one will die, is $1-pp'$.

Delightful reading! But without such reasoning, meaningless as it must be to the average layman, life insurance would be a mere Monte Carlo in which the roulette wheel would take the place of the actuary; with it, life insurance has become an exact science in which predictions can be made with all the certainty of mathematical calculations.

The word actuary comes from the Latin *actuarius,*

meaning a recorder or an accountant. At first an actuary's duties were purely clerical. But the scope of his work has grown enormously. In a modern life insurance company "the actuary has charge of all the subjects which pertain to premiums. He prepares premium tables, tables of loans and surrender values, calculates the reserves and dividends and the mortality experience of the company. . . . He is the one indispensable official to see that the business is scientifically conducted."*

Great Britain was the first country to recognize the fact that an actuary is a professional man and requires professional training. Rudimentary actuarial calculations were introduced into life insurance by the Equitable Life Assurance Society of London, which was established in 1762, and still flourishes. The professional status of actuaries, however, was not formally recognized until nearly a century later. In Great Britain the Institute of Actuaries was founded in London in 1847; in 1868 the Scottish actuaries incorporated the Faculty of Actuaries of Scotland as a separate body; but the Actuarial Society of America was not organized until 1889. The mathematical requirements of the profession are high. The University of Edinburgh† grants a diploma in actuarial mathematics which is based upon some knowledge of differential calculus as well as upon more technical courses in actuarial mathematics, but few American colleges grant a degree for actuarial science, such degrees being chiefly conferred by the Actuarial Society of America and by the American Institute of Actuaries. A young Amer-

*W. F. Gephart, Ph.D. *Principles of Life Insurance.*

†This great university has recently conferred the highly prized honorary degree of LL.D. upon the Chief Actuary of the New York Life, Mr. Arthur Hunter, because of his notable contributions to actuarial science.

ican, even if he has won his academic degree of A.B., must on the average spend six years in practical insurance work before he can obtain his Fellowship in the Actuarial Society of America.

Although the actuarial profession may be said to be of Scottish or British origin it has been carried to a high point of practical perfection in America. In the progress of this scientific basis of life insurance the New York Life has played a leading and honorable part. Its contributions to the medico-actuarial investigations regarding mortality are recognized everywhere by insurance experts as of the first importance.

The medical and actuarial departments of modern life insurance have now become so interdependent that the adjective "medico-actuarial" has been coined to describe their joint operations. In the early days of life insurance, however, even when Dr. Richard Price had drawn up what is known as the Northampton Table of Mortality, in 1783, for the Equitable Society of London, it was scarcely recognized that physiology, hygiene and medicine had anything to do with life insurance. When life insurance was first started as an organized business in England an applicant for a policy was cross-questioned by the Board of Directors in much the same style as he would have been questioned if he had been seeking to have his note discounted at a bank. If he appeared to be of good character; if his physical build and bearing seemed normal and pleasing to the ordinary observer; above all, if he could prove his financial responsibility, his policy was granted. Those would have been happy days for the agent, if there had been any agents. But in that pioneer stage of the business such a thing as educating people to take out insurance was unknown. There was no soliciting. All business was done over the counter. A man came into

the counting-room and bought his insurance just as he bought his shirts and cravats. It can be easily imagined that the business was not very large. There is a well authenticated instance of a Board of Directors of one of the early English companies declining to insure an applicant who, in answer to a casual question, informed them that he was a teetotaler. They were firmly of the opinion that a total abstainer was not a normal risk. A moderate use of alcohol, they thought, was essential to good health. The applicant, being a man of means and energy, went out and established a life insurance company exclusively for total abstainers. Its mortality records were so good that, to put it mildly, the use of alcoholic beverages is no longer required as an essential qualification of a good risk. It will be seen later on that when life insurance began to take a systematically organized form in the United States, in the middle of the last century, there was a definite attempt made to get at the medical status of the applicant, but it was more or less by rule of thumb. He had to answer questions on his honor about his own medical history, and those who knew him intimately were required to add their testimony. The present method of personal medical examinations on a scientific basis was of a much later development.

The Actuary began by collecting statistics of births and deaths. His analyses of these statistics enabled him to predict, with some confidence, the percentage of deaths of large groups over a given period of years. The earliest Actuaries confined themselves to collecting and recording the events of mortality but did not undertake to explain the causes of those events. The Medical Director investigates the physiological causes of deaths and endeavors to explain and formulate the laws of bodily longevity and bodily exhaustion.

From the foregoing outline the reader will already have perceived that the modern business of life insurance is of English origin. Policies were written on human lives by regularly constituted companies of England as early as 1721, but only as a minor accompaniment of other forms of insurance. The Equitable of London was the first organization to devote its energies exclusively to life insurance, and is now over a hundred and fifty years old. From England the science or art of insuring lives on a mathematical basis spread to this side of the Atlantic. Various American organizations doing a rudimentary form of life insurance were founded late in the eighteenth century, at about the time the United States became an independent nation. But the business did not get firmly on its feet in this country until towards the middle of the nineteenth century. Between 1840 and 1850 some of the leading standard life insurance companies existing at the present day in the United States were organized.

Of this group the New York Life Insurance Company was one of the earliest to take actual form. It was an outcome of the spirit of national expansion which the City of New York was beginning to feel stirring in its veins.

CHAPTER II

An Unpromising Birthplace

NEW YORKERS of 1845 were proud of their city and yet measured by present-day standards it appears curiously crude and primitive. There was none of that background of antiquity which softens the medieval asperities of Rome, Paris and London. New York possessed, however, three great potential advantages over the three famous and historic trans-Atlantic capitals—a remarkable site on an unsurpassed harbor, an outlying country of great natural beauty and rich natural resources, and a forward-looking citizenry. In 1845, the year when this story begins, the political and geographical boundaries of the city were those of Manhattan Island, a territory which now constitutes the Borough of Manhattan, one of the five municipal divisions of the modern metropolis. The population of the City of New York was then three hundred and seventy-one thousand; the population of the same area, the Borough of Manhattan, is today more than one million, seven hundred thousand.

Election statistics often form a good index of the increase in a community's strength and power. In the birth year of the New York Life William F. Havemeyer was elected Mayor of the City of New York on the Democratic ticket, receiving twenty-four thousand, three hundred and seven votes. Eighty years later, in 1925, Mayor Walker was elected on the Democratic ticket and received two hundred and thirty-four thou-

sand, two hundred and twelve votes in the same municipal area in which Mayor Havemeyer had one-tenth of that number.

The center of civic activities was what we call the old City Hall, then new, and even today one of the most beautiful buildings in America, a veritable municipal White House. It stood in what was a charming park of shade trees and green lawns,—a park which has since been made hideous by asphalt, subway and elevated stations, and by the encroachments of the ugly Court House, scandalously built during the dominance of the Tweed Ring, and of the equally ugly Federal Post Office. When the City Hall was erected it was on the northernmost edge of the city, so that the front or southern façade, and the two ends were built of marble. The rear, or northern end, was made of brownstone, for both the city fathers and the architects agreed that as "few citizens would ever reside on that side of the town the material of this side of the building was of little consequence." Indeed the present active cashier of the New York Life, in discussing his early recollections of this city, relates that his grandfather used to tell of his hunting expeditions with a shotgun in the woods just north of Canal Street. And the writer of this volume remembers the incongruous mingling of marble and brown sandstone in the City Hall, for it was only comparatively recently that the city fathers gave the sandstone a coat of white paint to hide as well as they could the amusing evidence of the lack of faith of their ancestors in the growth of the city.

It would be possible to present here some peppery comments of foreign visitors on the cruder aspects of New York City in 1845, but I refrain from doing so because when foreigners point out our shortcomings

we Americans are not apt to take it very graciously. We piously repeat the famous prayer of Robert Burns,

> Oh wad some Power the giftie gie us
> To see oursel's as ithers see us!

But this gift has been conferred on few of us as yet. When the "ithers" are foreigners we find the criticisms hard to bear.* We do, however, take in better part the strictures of our own compatriots. It may therefore safely be recorded that in 1843 Henry D. Thoreau, on a visit to New York, complained of its squalor in a letter to Emerson in Concord: "I don't like the city better, the more I see it, but worse. I am ashamed of my eyes that behold it. It is a thousand times meaner than I could have imagined. . . . The pigs in the streets are the most respectable part of its population."

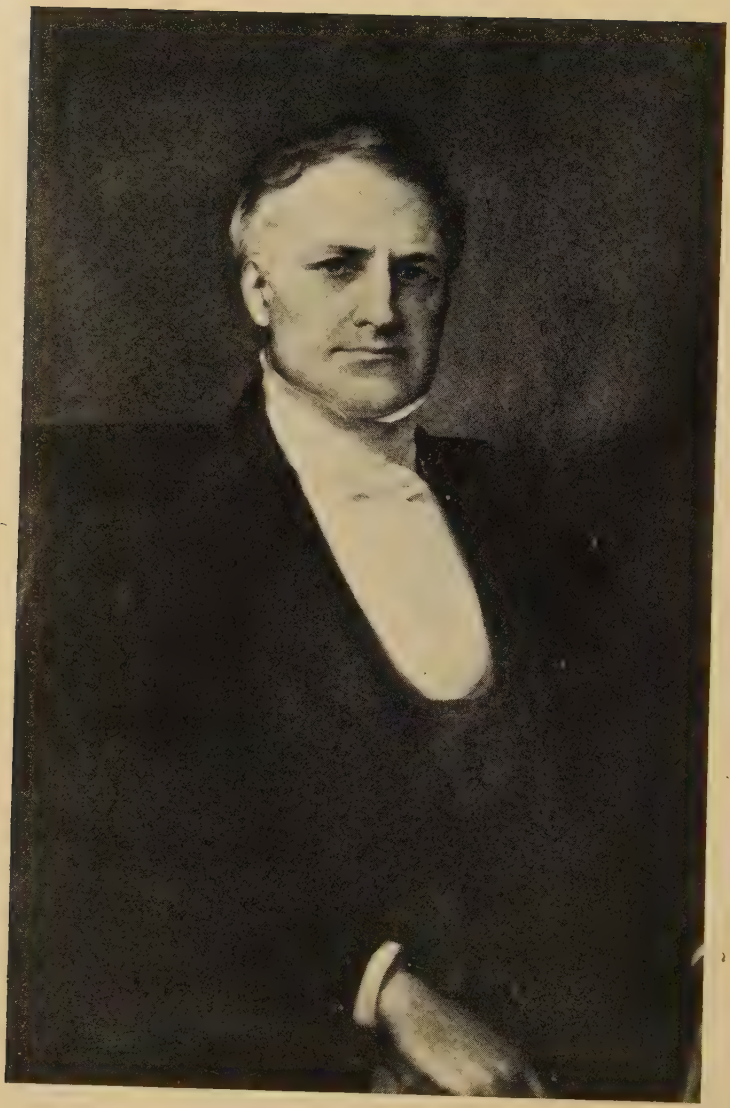
When the New York Life was founded in 1845 improved city property practically ended at Union Square. There were only a few scattered buildings to be seen here and there north of it. Madison Square, the junction of Broadway and Fifth Avenue, from which the passer-by may now get the finest view of the new Home Office of Nylic, was an unsightly and vacant ten acres of rocky soil and swamp land. Under Mayor Harper, one of the four brothers who founded the famous publishing house of Harper & Brothers, this spot was converted into a park in 1847. It is worth remembering that Mayor Harper was one of the early Trustees of Nylic, serving on the Board from 1845 to 1848. But even twelve years later when the Fifth Avenue Hotel (now torn down to make way for an

*Those who think they possess the gift of receiving foreign comment with equanimity will find Allan Nevins' *American Social History as Recorded by British Travelers* (Henry Holt & Co.) extremely enlightening and entertaining.

office building) was built luxuriously of marble on th
westerly side of this park on the outskirts of the city
people shook their heads over the folly of the enter
prise. It was too far out, they said, from the heart o
the city to ever obtain profitable patronage.

What we now recognize as important and essentia
departments of municipal government were then in
chaotic condition. Water had been generally intro
duced into New York through the Croton Aqueduc
only two years before Nylic was organized. Ther
was no Health Department. There were no publi
schools conducted on the present plan, for the Stat
Department of Education was not created until 1854
The police were often as much a menace as the law
breakers whom they were supposed to keep in order.

As late as 1857 there was a serious riot between tw
rival police organizations. The State legislature, dis
satisfied with conditions prevailing in the city, create
one, and the City government, asserting the principl
of Home Rule, created the other. Naturally the tw
forces and their sympathizers clashed, and the Seventh
Regiment had to be called out to quell the riot. Among
the papers of my father, who was a young New Yor
lawyer, twenty-two years of age at the time, appear
a letter to a relative describing this riot. It reads lik
a tale of one of the street battles of the Reign o
Terror during the French Revolution of 1789. M
father says that as he was leisurely sauntering u
Broadway to his room after dinner he found signs o
disorder at the corner of Broadway and White Street
He worked his way over towards the Bowery wher
brickbats, stones and bullets were flying. "One ma
stood on the top of his house, pulled bricks from th
chimney and fired them upon the heads of those below
His wife stood by him, whether encouraging him o



AARON M. MERCHANT
Second President
April 19, 1847—December 22, 1848

urging him to desist I could not tell." The exchanging of shots made it unsafe to stay on the streets. "I espied," he continues, "a cheap restaurant and lodging-house on the corner of Bayard and Bowery, and I made a rush for it . . . By dint of taking a night's lodging and paying for it twenty-five cents, I got upstairs and out on the balcony." From this vantage point he watched the battle. The street was barricaded. Men and women were felled by brickbats and killed by musket and pistol balls. "There was among the Bowery boys, at our end of the street, a young Italian; not, I should think, over sixteen or seventeen years of age. He had a pistol with him, and was among the vanguard always. . . . He was one of the first to fall after the muskets were brought out. He was carried by us, directly under our feet as we stood on the piazza of the second story. There was a little hole in his left breast, a little spot of blood on his white linen coat. . . . He was writhing in the most horrible death agonies. It was a fearful sight; for, rough as were his companions, he was a beautiful boy. . . . It was the first time I ever saw a riot, and I think it was the most horrible sight I ever saw."

The scene of this riot has an intimate connection with the life of Nylic for it is familiar ground to the officers and employees of the Company. My father thus describes the streets in which the fighting raged: "I suppose that region of New York City contained between Canal Street on the North, the Bowery and Chatham Street on the East, Chambers Street on the South and Broadway on the West contains more squalid poverty and abominable wickedness than any other area of equal size in the world. I do not know about the outcast places of London and Paris, but I should not imagine that they could be worse. This region

contains the famous Five Points and the Sixth Ward which rejoices in the well-earned sobriquet of the Bloody Sixth."

Only thirteen years later, in 1870, the Company established itself in a fine Home Office building at the corner of Broadway and Leonard Street, the western edge of the "Bloody Sixth," where it conducted its growing business peacefully for nearly sixty years until it moved to Madison Square. Those who are inclined to be hopeless about the progress of civilization may take courage from these historical facts.

In those primitive New York days property was as crudely protected as life. There were no professional firemen. The City Fire Department was a volunteer organization and the engines were hauled to the fire by hand and pumped by hand. When the fire alarm bell rang the quarter of the city in danger was indicated by the number of strokes and "when it uttered its warning tones, citizens, with fire buckets on their arms, might have been seen hastening to the scene of danger and forming parallel lines, one to pass the full buckets to fill the engines and the other to return the empty ones for refilling; most of the New York families had such leather buckets, which generally hung in some prominent part of the hall or entry, ready at hand in case of need." A volunteer veteran of the forties has thus described the work of these fire-fighters:

> It was the pride and ambition of every fireman that his company should be the first to reach a fire and the most efficient in putting it out. The city was not then divided into districts, and an alarm sounded by a bell in the cupola of the City Hall called out all the companies. No matter what the task on hand we would leave it and rush for the engine. Often I was out with my engine four

nights in the week. What was the inducement? Love of excitement and of excelling the rival companies. There was no other compensation. Instead, if we had a parade we met the expenses ourselves, and we always paid for the painting, repairing and decorating of our engines. But we had our reward in the excitement of the running, in the victory over rivals, and in the daring feats in and about burning buildings.

There was no systematic street-cleaning. In winter the snow was allowed to lie where it fell until it was slowly removed by the sun's rays. The butcher, the baker and candlestick-maker delivered their wares in one-horse sleighs. There was, of course, no subway or elevated. On the main avenues there were horse-cars and down Broadway ran a line of horse-drawn omnibuses which were put on runners in the winter season. "Sea-going" hacks—so called because of the way they swayed and bounced over the rough cobble-stones with which the streets were paved—performed as well as they could the function of the modern taxi-cab. Steam heat and modern plumbing were unknown. Probably fewer New Yorkers then owned private bath-rooms than now own airplanes. Business letters were written in longhand and telegrams and cable messages were undreamed of except by S. F. B. Morse who was ridiculed in Congress until he sent the first successful message by wire from Washington to Baltimore in 1844. Measured by the conveniences and efficiency of domestic and business life Julius Cæsar is nearer to James De Peyster Ogden, the first president of the New York Life Insurance Company, than Mr. Ogden is to Mr. Kingsley, the seventh president.

If the changes in the City of New York during the lifetime of Nylic are striking, the development of the

interior of the United States has been so magical as to be almost incredible. The traveler who today takes one of the luxurious limited trains from Chicago through the Southwest, the Central West or the Northwest to the Pacific Coast can with difficulty form any conception of the social and economic condition of the vast region beyond the Mississippi in the middle of the last century. When the New York Life wrote its first policy Missouri was the most western state of the Union. Texas, which had only shortly before seceded from Mexico, was an independent republic with a president of its own. The wide expanse of country west of the Mississippi River, while under the influence of the United States, had not yet been formed into either states or territories. California was still an integral part of Mexico and its culture was Spanish. A dispute which threatened at times to become dangerous was raging as to whether Oregon was subject to British or American rule. Practically one half of the geographical area of the United States was unorganized. There were no railways west of Chicago; and even Chicago was more easily reached by steamboats over the Great Lakes or by stage-coaches over wretched roads by dust and mud than by rail. Senator Beveridge in his life of Lincoln tells us that when Lincoln made his first visit to Chicago in July, 1847, "he wore a 'short-waisted, thin swallow-tail coat; a short vest of same material; thin pantaloons, scarcely coming down to his ankles; a straw hat; and a pair of brogans with woolen socks.' He went by the regular stage through the boundless prairies. For four or five miles before the city was reached, the roads were filled by an endless procession of great wagons laden with wheat, each drawn by two yoke of oxen. Sixteen thousand people then lived in Chicago and the bustle of the infant city gave promise of its future dominance."

Farther west even oxen were scarce. The mule pack train was the usual means of transportation through the defiles of the Rocky Mountains and over the mud-holes and water courses of the prairies. West of the Mississippi the Indian was still a savage to be feared and fought. The year after Nylic first began writing life insurance policies in the City of New York, Francis Parkman made his famous expedition into the West and Northwest, which resulted in one of the great books of American literature, "The Oregon Trail." One only has to read that volume to get an impression of what civilization was in the United States in the Middle and Far West when Nylic began its career. In the region now comprised by Kansas, Oklahoma, Texas, Arizona and New Mexico, the pioneer struggled desperately with Indians, wild beasts and the inhospitable vegetation of a desert and arid country. Take Arizona, for example, one of the most prosperous and promising states of the Union today, with the beautiful and flourishing Cities of Phoenix and Tucson. In 1928 the Nylic Branch Office of Phoenix wrote over five million dollars of insurance, and the fertile Salt River Valley in which Phoenix lies, and which has been turned from a desert into a luxuriant park by the irrigation project of the Roosevelt Dam, shipped to various parts of the country nearly forty millions of dollars of citrus fruits and other agricultural products. This entire region in 1845 was almost as wild and undeveloped as mid-Africa is today, and even after the Company had reached the mature age of thirty years and was beginning to turn its attention to the possibilities of Europe as a field of activity, was still in a primitive frontier stage of development.

Those to whom technical and chronological history is a repellent, dry-as-dust subject will find in a recent delightful novel, "Death Comes for the Archbishop"

by Miss Willa Cather, a vivid picture of the ancient civilization and semi-barbarous frontier conditions that prevailed in the territory now comprised in Arizona and New Mexico, when the New York Life was six years old. There are very few books, either of serious study or of fiction, that give the reader a better realization of the contrast between European culture and the primitive character of frontier life. The story relates how the young French missionary bishop, Latour, had just returned to Santa Fe from a long and venturesome horseback journey into Mexico in 1851. His assistant, Father Joseph, had prepared for him the first palatable dinner he had eaten for weeks:

> On coming into the dining room, Bishop Latour placed his candlesticks over the fireplace, since there were already six upon the table, illuminating the brown soup-pot. After they had stood for a moment in prayer, Father Joseph lifted the cover and ladled the soup into the plates, a dark onion soup with croutons. The Bishop tasted it critically and smiled at his companion. After the spoon had traveled to his lips a few times, he put it down and leaning back in his chair remarked: "Think of it, *Blanchet;* in all this vast country between the Mississippi and the Pacific Ocean, there is probably not another human being who could make a soup like this."
>
> "Not unless he is a Frenchman," said Father Joseph. He had tucked a napkin over the front of his cassock and was losing no time in reflection.
>
> "I am not deprecating your individual talent, Joseph," the Bishop continued, "but, when one thinks of it, a soup like this is not the work of one man. It is the result of a constantly refined tradition. There are nearly a thousand years of history in this soup."

That Arizona and New Mexico have largely succeeded in doing in eighty years what it has taken France one thousand years to accomplish may help impatient Americans to bear with equanimity the crudities of our civilization still remaining to be refined.

In the spring of 1928 the author visited Phoenix and Tucson. In the latter city he had the opportunity of reading some of the unpublished reminiscences of a prominent lawyer in that city who only recently died, and whose description of Tucson in the late seventies is entertaining. It was "a town of low one-story unplastered, adobe rooms, built together facing and placed directly upon the lines of irregular, narrow, ungraded streets, except where, towards the outskirts, the box shaped rooms separated into individual houses and finally scattered into isolation, each facing in its own direction. You could not tell a store from a dwelling house, except by thrusting your head in the doorway and looking around. . . . Burros brought firewood from the adjacent country and domestic water from wells on the edge of town. The burros generally used that part of the street that should have been sidewalk, and pedestrians, to escape them, used the middle of the street. . . . The most important businesses were those of selling goods to be smuggled into Mexico and of running saloons and gambling houses. The nearest railroad had only reached Yuma, and long mule trains brought supplies into town, principally from Missouri and Kansas. Water was cooled in ollas.* We had no ice. I remember the first artificial ice I ever saw here. It started from San Diego, a hundred-pound block, well wrapped in canvas and burlap. It arrived

*The name of a Spanish jar of coarse pottery (pronounced oy-yah) in which water or other liquids are cooled by evaporation through the porous material of the vessel.

in Tucson a ten-pound chunk. It was to grace the feast and to cool the champagne at a dinner given by Frank Staples, then our *beau ideal* and man-about-town. His guests, however, took the ice out of the wine glasses and chewed it as a delicacy."

It was not only the West that was "wild and woolly" when Nylic was born. Even the City of Washington, which has now grown to be one of the really beautiful capitals of the world, was hard to reach and, judged by the standards of today, uncomfortable to live in. Abraham Lincoln was elected a member of Congress from Illinois in 1846, when Nylic was one year old. When he went to Washington to take his seat he traveled from Springfield, Illinois, to St. Louis by stage, from St. Louis down the Mississippi and up the Ohio by steamboat to Pittsburgh, from Pittsburgh by railroad to Baltimore and Washington. What the capital of the United States was when Lincoln arrived there to take his seat as a representative in Congress is thus described by Senator Beveridge in his life of Lincoln:

> In 1848 the white population of Washington was a little less than thirty thousand. . . . The capital looked like "an ill-contrived, ill-arranged, rambling, scrambling village." Its houses were far apart, with privies, pigsties, cow-sheds and geese-pens in the back yards. In alleys and streets were piles of garbage, about which pigs, geese, and cows wandered at will; they were scavengers and anybody who disturbed them was liable to a fine. Wells with pumps were the only sources of water for all houses. Fine dwellings and shanties stood side by side, "a strange jumble of magnificence and squalor." Only two streets in the whole city were paved, and these poorly and in part; while

with one exception, the few sidewalks were of gravel and ashes, ridged in the center.

Pennsylvania Avenue was laid with big cobblestones so unevenly that, to avoid intolerable jolting, carriages were seldom driven over them. When covered with snow, however, the avenue was thronged with dashing sleighs, drawn by spirited horses, and filled with gay and richly dressed people. Great throngs watched the merry display. On the north side of the avenue a brick sidewalk extended from the foot of Capitol Hill for more than a mile and in good weather was the one great promenade of the city, crowded with the beauty, fashion, and celebrity of Washington when Congress was in session. At other times, that thoroughfare was "like Jerusalem the day after it was sacked by Titus. . . ."

If such was the material simplicity of the Eastern seaboard when Nylic began its adventurous career the reader may wonder about the condition of the cities of the Pacific coast. One thing, at least, may be said of them. They were not so crude as New York and Washington, and for a very simple reason. There were no cities on the Pacific Coast. Los Angeles, San Francisco, Portland, Seattle were non-existent. It is true that Los Angeles had an official title as the military headquarters of the Mexican province of California, but San Francisco had not then been even named. There were in 1845 a Spanish presidio (or military post) and a Spanish Catholic mission near the Golden Gate, but the handful of settlers living on the present site of San Francisco called their hamlet Yerba Buena and the name by which all the world knows it was not formally assumed until 1847. When the United States flag was raised over it in 1846 its population was scarcely more than five hundred souls. The

site of Portland, Oregon, was selected in 1845 by two foreseeing Yankee "realtors," and Seattle was first permanently settled in 1852 and three years later had a population of only three hundred inhabitants. There is no more romantic story in history than the record of the development of this Pacific coast region from a wild and often lawless frontier into one of the richest and most civilized sections of the modern world. The rivalries and struggles, the vision and optimism, the self-sacrifice and determination which made this development possible form an absorbingly interesting chapter in the history of human endeavor. Moreover the human appeal of this pioneer period is increased by a pervading sense of humor which has given to permanent literature such names as Bret Harte, Ambrose Bierce, Mark Twain and John Phoenix.

Even when foreign visitors complimented the United States their notes unconsciously revealed the primitive social machinery of the days when Nylic was first conceived. An English barrister, Alexander Mackay by name, visited the United States in 1846-47 and wrote a book about his travels, which was published in London, in 1850, and entitled "The Western World." Mr. Allan Nevins,* a good judge, says that this study of the United States was the most complete and penetrating account of American institutions written by an Englishman, until it was supplanted by Bryce's "American Commonwealth." Mackay's account of American journalistic enterprise will give the reader, better than perhaps anything else that could possibly be quoted, an idea of the obstacles our immediate forbears had to overcome before the days of the telephone and the telegraph:

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*See note on page 19 of this volume.

The American papers, particularly in the larger commercial towns, are conducted with great spirit; but they spend far more money in the pursuit of news than they do in the employment of talent. Their great object is to anticipate each other in the publication of news. For this purpose they will either individually, or sometimes in combination, go to great trouble and expense. During the progress of the Oregon controversy a few of the papers in New York and Philadelphia clubbed together to express the European news from Halifax to New York, by horse-express and steamer a distance of 700 miles, and this too in winter. The most striking instance of competition between them that ever came under my observation was the following. For some time after the breaking out of the Mexican War [1846-48], the anxiety to obtain news from the South was intense. There was then no electric telegraph south of Washington, the news had therefore to come to that city from New Orleans through the ordinary mail channels. The strife was between several Baltimore papers for the first use of the telegraph between Washington and Baltimore. The Telegraph-office was close to the Post-office both being more than a mile from the wharf, at which the mail-steamer, after having ascended the Potomac from the Acquia Creek, stopped, and from which the mail-bags had to be carried in a wagon to the Post-office. The plan adopted by the papers to anticipate each other was this. Each had an agent on board the steamer, whose duty it was, as she was ascending the river, to obtain all the information that was new, and put it in a succinct form for transmission by telegraph, the moment it reached Washington. Having done so, he tied the manuscript to a short heavy stick, which he threw ashore as the boat was making the

wharf. On shore each paper had two other agents, one a boy mounted on horseback, and the other a man on foot, ready to catch the stick to which the manuscript was attached the moment it reached the ground. As soon as he got hold of it he handed it to the boy on horseback, who immediately set off with it at full gallop for the Telegraph-office. There were frequently five or six thus scrambling for precedence, and as they sometimes all got a good start, the race was a very exciting one. Crowds gathered every evening around the Post-office and Telegraph-office, both to learn the news, and witness the result of the race. The first in, secured the telegraph, and in a quarter of an hour afterwards the news was known at Baltimore, forty miles off, and frequently before the mail was delivered, and it was known even at Washington itself. On an important occasion one of the agents alluded to as being on board, beat his competitors by an expert maneuver. He managed, unperceived, to take a bow on board with him, with which, on the arrival of the boat, he shot his manuscript ashore, attached to an arrow, long before his rivals could throw the sticks ashore to which theirs were tied. Next evening, however, when still more important news was expected, and arrived, he was in turn outwitted. On her way up the boat touches at Alexandria, on the south side of the river, to leave the bags directed to that town, and take others from it. On this occasion one of the newspapers had a relay of horses between Washington and Alexandria, the rider receiving the news from the agent on board at the latter place, and galloping off with it to the capital. The bow was then of no use, for by the time the news-laden arrow was shot ashore, the intelligence designed for the rival paper was being telegraphed ahead to Baltimore. It will thus be seen that the American press partakes of that

"go-aheadism" which characterizes the pursuit of business in so many of its other departments in America.

Who knows but that eighty-five years from today our successors of the year 2015 will smile at our efficiency methods as we smile at the saddle horse and the bow and arrow of the hustlers of 1848.

The sketch, presented in this chapter in the merest outline, of the social and economic conditions of American society eighty-five years ago may seem to the reader at first glance somewhat far afield in a history of life insurance. But without it no adequate conception can be formed of the task which the founders of Nylic undertook, or of the undreamed fruitage of their labors. At all events we have now come by what it is hoped the reader will have found appropriate steps to the real subject of this volume, namely, the birth, growth and vitality of the New York Life.

CHAPTER III

The Experimental Stage

THE old Greeks believed that the goddess Athene sprang clad in full armor from the brain of Zeus. Nylic did not emerge in this way from the mind of any one man. Nor was it born as modern corporations are—with a perfectly articulated structure. Like Topsy, it simply grew from a rather haphazard beginning. In 1841 the New York Legislature chartered in the city of New York a marine and fire insurance company called the Nautilus Insurance Company. This was to be a stock company with a capital of $200,000, and five commissioners, named in the Act, were to have two years to raise the specified capital. Just before the two years expired the Act was amended to permit the company to add life insurance to its other functions and to organize on the mutual plan as soon as bona fide applications for insurance of $300,000 had been received. On April 10, 1845, four of the five commissioners named by the Legislature met, reported that the required applications for policies had been received and elected a Board of Trustees, twenty in number. This Board was composed of some of the most influential merchants and "captains of industry" in the City of New York. It included such men as James Brown, founder of the banking firm of Brown Brothers and Company; William H. Aspinwall, one of the builders of the Panama Railroad, for whom the town of Aspinwall at the present entrance to the Panama Canal was

named; Prosper N. Wetmore, an organizer and the first Colonel of the famous Seventh Regiment; Henry W. Hicks, a leading member of the Society of Friends, whose family name is well known to all members of the religious body to which President Hoover belongs; Thomas W. Ludlow, the first President of the Panama Railroad; and Loring Andrews, whose financial support was of substantial help to Cyrus W. Field in overcoming the difficulties and obstacles met with in laying the first Atlantic cable. It will thus be seen that from the very beginning the Trustees (now called Directors) of the New York Life have been men of vision who have believed in local, national and international civic service. On April 12th the trustees met and chose James De Peyster Ogden President, A. M. Merchant Vice President and Lewis Benton Secretary. This date, the 12th of April, 1845, has, therefore, appropriately been adopted by the Company as its birthday. On the 16th of April Pliny Freeman was appointed Actuary in charge of the Life Insurance Department of the new company. In the following June the fire and marine policies were reinsured in other companies and Nylic devoted itself solely to life insurance. At this time its entire resources, or, to use the actual phrase of the company itself, its "capital," amounted to $50,000. This "capital" was raised in a unique fashion. A group of fifty-six New York business men gave their notes to the amount of $55,815.25 in sums varying from $115.25 to $5,000. The notes (a little later reduced to the exact sum of $50,000) were deposited in the Bank of the State of New York as a credit to the company, and by annual renewal remained in the bank until 1850, but were never discounted and were finally returned to their makers. They could have been drawn upon at any time should the losses

of the company have so demanded, but apparently the income from premiums was from the outset sufficient to pay losses and operating expenses, and to begin the creation of a reserve fund.

The company continued to be known as the Nautilus Insurance Company until that name was changed by an Act of the Legislature on April 5, 1849, to "New York Life Insurance Company," and its business year was made to correspond to the calendar year. Thus it will be seen that financially the New York Life was founded on what in present-day slang would be called a shoestring. If this term is considered too theatrical it may be said accurately that it was founded on the honor, good faith and ability of its organizers who were men of such standing in the business community that a great bank of the time, with the prospect of their future patronage, was willing to grant them legal assets of over fifty thousand dollars on their mere promise to pay. According to the first ledger or cash book, now in the Nylic archives, the Company's business during the first eight months of its existence, from May 1, 1845, to December 1, 1845, are as follows:

RECEIPTS

Fire Insurance Premiums	$ 20.00
Life Insurance Premiums	4,230.95
Refund from Alliance Mutual Insurance Co. for two-thirds expenses of Nautilus charter	690.00
	$4,940.95

DISBURSEMENTS

Reinsurance Fire Premiums	$ 20.00
Reinsurance Life Premiums	212.92
Printing	213.50
Advertising	211.96
Stationery	326.81
Commissions and Physicians' Fees	228.88
Office Expenses	142.12
Carried Forward	1,356.19

Brought Forward	1,356.19
Furniture	99.97
Pliny Freeman, Actuary (Salary for 8 months)	666.66
Note discounted for Alliance Mutual Ins. Co.	1,537.08
Refund to A. M. Merchant for cash advanced by him for purchase of charter of the Nautilus Ins. Co., plus $14 interest	514.00
Refund to Pliny Freeman for cash advanced by him for the purchase of Nautilus charter plus $17.50 interest	517.50
	$4,691.40

Cash Balance Dec. 31, 1845 ..... $ 249.55

How primitive from our point of view the operations of the Company were in those early days is indicated by some of the entries which appear on the first ledger or account book. On April 30, 1846, Mr. James De P. Ogden, President, received $500.00 for one year's salary. On May 1, 1846 the Company paid $500.00 for rent, heat, light, etc., for one year from May 1, 1845, and also paid Mr. C. Henry Edwards, Bookkeeper, $200.00 for services to date. On June 30, 1846, Mr. Pliny Freeman, Actuary, received 5% of net earned premiums of $5,291.00 for year ending April 16, 1846, amounting to $264.55; also an extra allowance in accordance with a resolution of the Board of Trustees, May 29, 1846, amounting to $500.00. There is no explanation as to why these extra amounts were paid, but they were evidently in appreciation of services rendered. On November 2, 1846, first death loss for $225.00, policy No. 228, was paid to Alonzo Clark on life of his slave, Philip Swan, who died on August 28, 1846, and on February 28, 1847, second death loss for $5,000.00 was paid to J. M. Mulden on life of Ed. F. Tests. There is no record of the policy number. The first Bond and Mortgage Loan was made on July 31, 1847, to Giles Bushnell for $3,500.00 on house and lot No. 18 White Street, New York City,

and was paid off on June 11, 1849. The first Temporary Loan was made on December 30, 1847, to J. S. Lake for $1,700.00 at 7% on collateral of $2,000.00, Treasury Notes, and paid March 14, 1848.

On the 14th of August, 1845, the Company printed what appears to have been its first public advertisement. It read as follows:

> This Company recently organized upon the improved and deservedly popular plan of Mutual Assurance, commences with a capital of $50,000, which will be continually augmenting as its business increases. One of the peculiar advantages attending insurance with this Company is that all the assured share annually in its profits and are interested in its success. The earned premiums or profits will be safely invested by the Company, constituting a permanent fund annually augmenting for the benefit and security of all parties interested.

The promise of that last sentence—"annually augmenting"—has been amply fulfilled. The phenomenal growth from assets of $50,000 to $1,600,000,000, without a single cash contribution except the premiums of the owners of the business—that is, the policy-holders—is due partly, of course, to the growth of the country and to the increase of wealth and population. But Nylic's expansion could not have kept pace with the expansion of the country without the wisest and most efficient management. One has only to see the records of this expansion to appreciate the honor which is due the men and women of the past and the present who, by modest work at daily clerical tasks and by arduous travel and labor in the field, have produced these almost incredible results.

In one of his addresses President Kingsley has elo-

quently described the human element in this process of growth:

> As cathedrals were built so are built great Life Insurance Companies. Study the great cathedrals of Europe and see how successive centuries are built into them. It was always clear to the builders that the glorious structure would be finished some day. But when? People did not ask. They toiled and sacrificed in order to do their part, to add their bit to the mighty whole, knowing that neither they nor their children would see the completion of the work. By their labors they fostered religion and the arts and fed their own souls while erecting a vast pile which they knew would instruct and impress their successors through countless generations.
>
> So it is with Life Insurance and especially so it is with the New York Life. Our founders labored to establish a program of mutual human service. They did not begin to realize the full significance of what they did. Their successors for about three full generations have labored as they did and we, the living laborers, begin now to realize what it all means. In 1929 the structure, founded in 1845, begins to emerge in outline. Its splendid substance is shown in our new Home Office building and in our assets and outstanding insurance.
>
> But the real structure is only suggested by these facts. Why should not our successors continue through centuries (as the cathedral builders did) the labors of the men and women who have built so splendidly thus far? When will the New York Life be finished? Never! Its foundations are as deep as human love; its spires disappear in unfulfilled dreams of human aspiration; its great arches support an expanding nave which can cover and protect all who come.

The first office of the New York Life Insurance Company (for we shall hereafter ignore the original name of Nautilus and refer to the Company by the title which was granted to it by the Legislature on April 5th, 1849) was at 58 Wall Street, and during the first five years of its existence moved twice, first to No. 29 and then to No. 68 Wall Street. It is reported in the New Testament that a skeptically minded individual once remarked of the origin of Christianity, "can any good thing come out of Nazareth?" So some reader may be inclined to question whether "any good thing can come out of Wall Street." Let us look into the matter a little.

Wall Street was laid out in 1653, nearly three hundred years ago, as a defense of the little City of New Amsterdam (now New York) against the attacks of Indians and cattle raiders. The street took its name from the fact that along its northern boundary there was a veritable city wall built of stumps and brush. It is a curious fact that what in the early days of New York was intended by both the municipal authorities and the citizens to be a defense of the city, has come to be regarded in parts of the Union as the headquarters of the worst enemies of the social order. But this is largely due to ignorance or prejudice. No doubt there have been scoundrels in Wall Street. Even the most apologetic of historians cannot defend the notorious "Black Friday" of September 24, 1869, which, by the deliberate scheming of the disreputable "Jim" Fisk and his unscrupulous associates, brought ruin on the country.* Doubtless evils have clustered about Wall Street, but so they have about every human organization—even the Church and Life Insurance! By and

*See account of "The New York Gold Conspiracy" in Rhodes' *History of the United States,* Vol. VI, Chap. XXXVI.

large, however, Wall Street for three hundred years has continued to furnish the country with an important method of defense,—if not always against Indians, at least against financial disasters and panics. The Federal Government has depended upon it in times of stress. The much, and usually unjustly, maligned Stock Exchange has afforded a market place where the owner of securities, whether he is a little man or a big one, can always turn them into cash. Wall Street has done by private enterprise for the thrifty money-saver what the agricultural experts would like the government to do for the farmer, and what Mr. Hoover now proposes to do for the workingman,—that is to say, it has provided a reliable market for the disposal of a surplus product in times of emergency.

This is not the place for a dissertation on the economic virtues of Wall Street, but it is proper to allude to them in order to disabuse the reader of any feeling that because Nylic was organized in Wall Street and had its first three offices there it was somehow or other tainted by that association. As a matter of fact, Nylic could not exist today, nor could it properly preserve the wealth entrusted to it by its policy-holders, if it did not have the advantage of using the financial machinery provided for it by Wall Street and the Stock Exchange. At this writing, for example, the New York Life owns bonds of various kinds with a market value of over seven hundred millions of dollars. If there is an epidemic of the influenza and Nylic is called upon to pay large sums of money to its policy beneficiaries it can take some of these bonds in the morning to the Stock Exchange and in the afternoon have the cash with which to settle its policy claims. Without such a market the beneficiaries of policy-holders might have to wait indefinitely for a settlement. Some of the ablest

and most efficient of the Trustees of Nylic have been trained in Wall Street and no body of men in the country have been more scrupulous than those Trustees in handling the investments entrusted to them by the policy-holders.

After living on Wall Street for five years the Company moved to rented quarters at 106 Broadway in 1850, and in 1856 bought the building at 112 Broadway, its first real Home Office. Here it remained in what the Trustees thought would be its "permanent location," until in 1870 it occupied its second "permanent" home at 346 Broadway. This location was "permanent" to the extent of more than half a century.

In the first year of its existence the New York Life issued about three hundred and fifty policies. If not the most important, certainly the historically most interesting act of the young company was the issue of its first policy. Policy No. 1 was for $5,000 on the life of Lewis Benton, the Secretary of the Company, and its date was April 17, 1845. Policy No. 2, written on the same date, was also for $5,000 and was taken by Pliny Freeman, the Actuary of the Company. Both these officers were among the signers of the subscription notes which constituted the first assets of the Company. By becoming policy-holders they underwrote their faith in life insurance as a cure for many serious ailments. They believed in taking their own medicine and obeyed the ancient maxim "Physician, heal thyself!"

In general character these early policies and the declarations of the applicants were not radically different from those in use today. Policy No. 5, for example, was an ordinary life policy for the sum of $5,000, issued to Sarah Rice on the life of her husband, John Rice. Mr. Rice was forty-one years of age and was

one of the original note signers. His policy was "incontestable" provided the following conditions were observed:

> It is hereby declared to be the true intent and meaning of this Policy, and the same is accepted by the assured upon these express conditions, that in case the said John Rice shall die upon the seas, or shall, without the consent of this Company previously obtained, and endorsed upon this Policy, pass beyond the settled limits of the United States, (excepting into the settled limits of the British Provinces of the two Canadas, Nova Scotia, or New Brunswick,) or shall without such previous consent thus endorsed, visit those parts of the United States, which lie south of the southern boundaries of the States of Virginia and Kentucky, between the first of July and the first of November, or shall, without such previous consent thus endorsed, enter into any military or naval service whatsoever (the militia not in actual service excepted) : or in case he shall die by his own hand, in, or in consequence of a duel, or by the hands of justice, or of the known violation of any law of these States, or of the United States, or of the said Provinces, this Policy shall be void, null and of no effect. And it is also understood and agreed, to be the true intent and meaning hereof, that if the declaration made by the said Sarah H. Rice . . . shall be found in any respect untrue, then, and in such case, this Policy shall be null and void.

It was further provided that if the annual premiums were not duly paid on the premium date the policy should "cease and determine" and that when the policy thus became "null and void" all previous premium payment made thereon should be forfeited to the Com-

pany by the policy-holder. Nylic was the first life insurance company to abandon this forfeiture clause as will be noted later, thus setting a new standard of trusteeship for all companies.

There are two or three notable things about the Rice policy. It will be seen that the dealings of the Company were not with the insured, John Rice, but with his wife and beneficiary, Sarah Rice. This was in accordance with a statute passed by the New York Legislature in 1840, a law authorizing a married woman to insure her husband's life for her own benefit, the transaction to be exempt from any claims on the part of her husband's creditors. This has been called by a previous Nylic historian* the Magna Carta of modern life insurance. It was, at any rate, the first feeble effort of our lawmakers to recognize a married woman as a free, independent and financial person. Under this law most of the first policies of the Company on the lives of married men were issued to the wives. The wife paid the premiums and conducted all the business, including the signing of an application and of a declaration that her husband was a good insurable risk. In the policy which we are considering the document signed by Mrs. Rice was called "particulars required from Persons for proposing to effect Assurances on lives in this Company." It informed the Company that John Rice was a commission merchant; had been born in Geneva, New York, on the fifth of August, 1804; was married; "had habits active and temperate"; has not resided abroad; had not engaged in "military or naval service, or in a seafaring life"; had not had "the Small Pox or the Cow Pox," and had

*The late James M. Hudnut, an assistant Secretary of the New York Life Insurance Company, to whose historical researches and records the present writer is greatly indebted.

been vaccinated; that his family had not been "afflicted with Pulmonary Complaints or any other Disease that tends to shorten Life"; and that his mother was alive at the age of about seventy-five. Mrs. Rice answered "no" to various medical questions such as "Has the party been afflicted, since his childhood, with Rupture, Fits or Convulsions, Dropsy, Asthma, Liver Complaint, Gout, Consumption, Spitting of Blood, or Insanity, and if so, which?" The name of the family physician was given in the declaration together with the name of a responsible intimate friend who could be appealed to as a reference.

The reader will have already observed that some actuarial calculations were applied to life insurance as early as 1762, and one of the first official procedures of Nylic was to elect an Actuary. But insurance men were only beginning to perceive in a glimmering sort of way that Medicine is as important as Mathematics in selecting life insurance risks. Nylic had no medical officer or Medical Department when the policy of John Rice was written. The Board of Directors, who passed on all risks, in forming their decisions relied largely upon the testimony of the family physician of the applicant. In a small business done in a small community, where neighbors all knew each other, this was a fairly safe method. In June, however, of its first year the Company began to select its own medical examiners and from that time on Nylic has been one of the leaders in the development of medicine (including hygiene and sanitation) in its relation to longevity. The Rice Policy is a document worthy of record not only in the history of Nylic, but in the history of this country and of Canada. We learn from it, for example, that dueling was at that time still recognized as a custom of polite society and that most of the Southern states (perhaps

on account of yellow fever) were regarded as hazardous to human life.

In the first decade of Nylic's life there were some incidents which now curiously illuminate the political history of the country. During 1845 the Company wrote on an average forty policies a month. The number written in the month of February, 1846, suddenly jumped to one hundred nineteen. This was due to the discovery by some over-shrewd agents in the Southern states that policies might be profitably written on the lives of slaves—profitably, that is, to the agents. The difficulty and danger of this class of risks may be easily imagined,—the difficulty of obtaining correct mortality and medical statistics and the danger that the beneficiary might be totally indifferent to the safety or welfare of the insured. The Company soon discovered that the acceptance of slave risks was indeed a risky business and in April 1848, after an unsatisfactory experience of only three years, the issue of policies on the lives of slaves was discontinued by the specific order of the Board of Trustees.

This may be as good a time as any to remark that insurance men have a peculiar opportunity for a sobering insight into human greed and unscrupulousness. It has been the history of all forms of insurance that, where the idemnity provided is greater than the survival value or where the contingency insured against is wholly within the control of the insured, the loss is likely to occur. Fire insurance companies have had to contend with arson, marine insurance companies with "coffin ships," and life insurance companies with various forms of crime including murder. In marine insurance the term "coffin ships" has fortunately passed out of use. Fifty years ago, however, it was a common phrase in England and was used to describe unsea-

worthy, overloaded and over-insured ships that were deliberately sent on long voyages by unscrupulous owners with the expectation that they would not survive the storms they encountered. The name of David Plimpsoll, the English reformer, who put a stop to this wholesale murder by pushing through Parliament, in the face of slander and abuse, the Merchant Shipping Act of 1876, ought to be remembered with respect by all insurance men, for he was a defender of the honor of their profession. His real monument exists in the device painted on the hull of every British merchant vessel known as the "Plimpsoll Mark." No British vessel may leave port if that mark is submerged below the water line by overloading the vessel and thus making it unseaworthy. A similar device has been adopted by law in this country.

The abandonment of slave policies by the New York Life was partly a measure of self-protection but also partly a rudimentary recognition that life insurance is essential altruistic and is to be conducted under a code of ethics as exacting as the Hippocratic code of the medical profession.

The founders of the New York Life were not content with the English system of sitting at their desks and waiting for applicants to come in. From the outset they energetically sought out and appointed salesmen or soliciting agents. Among the very first of these were men who later became distinguished in public life. In the Company's letter book appears a copy of the letter, written in November, 1845, addressed to "Schuyler Colfax, Esq., South Bend, Ind.," asking him to become an agent. In the following December he accepted but resigned a few months afterward because of the pressure of other business. He was then a young newspaper editor, twenty-two years old. Later he

studied law, went to Congress, became Speaker of the House and in 1868 was elected Vice President of the United States. Perhaps it is just as well that Mr. Colfax did not remain with the New York Life for during his Vice Presidency he was touched by the notorious *Crédit Mobilier* scandal and, although nothing was proved against him, he retired from public life and died a somewhat discredited man, possibly undeservedly. But it is an inexorable law of nature, apparently, that a man holding an office of public trust must be not merely honest. Like Cæsar's wife, he must be "free from suspicion."

Not long after the correspondence with Schuyler Colfax the Company appointed three other remarkable men in Indiana as agents,—Lew Wallace, Thomas A. Hendricks and Hugh McCulloch. Lew Wallace became a distinguished general in the Civil War, but is perhaps most widely known as the author of "Ben Hur," one of the most popular historical novels ever published in this country. Hendricks was candidate for Vice President of the United States on the Democratic ticket with Samuel Tilden in 1876. But the man who might have been of the greatest importance to Nylic if he had remained with it was Hugh McCulloch, who has a historical place in the first rank of American financiers and administrators. He was a banker of high repute in his later life and served as Secretary of the Treasury in the administrations of Lincoln, Johnson and Arthur, and did much for the reconstruction of the national finances after the Civil War. Gladstone, himself one of the greatest of English-speaking financiers, commended Secretary McCulloch in the English Parliament as an "able and enlightened Minister of Finance." Hugh McCulloch has never received quite the public recognition which his

memory deserves. His memoirs, "Men and Measures of Half a Century," is a very wise and well balanced book of economic and political reminiscences which merits the careful attention of students of the Civil War period. In this autobiography, published in 1888, Mr. McCulloch does not mention the fact that he was once an agent in Indiana of the New York Life. Perhaps this is because in the early days of Nylic the life insurance business was looked upon somewhat askance and had, as will appear in a later chapter of this narrative, some hard struggles to overcome a widespread popular prejudice.

During its first decade Nylic was subject to the multifarious trials and dangers of infancy; but it continued steadily to grow and to feel its strength and vitality extending in various directions. Mr. Merchant who had succeeded Mr. Ogden as president and served for about a year, resigned in 1848 under circumstances which created some dissension in the Company, and which appear to be somewhat shrouded in mystery. He was succeeded in the office by Morris Franklin, who filled the president's chair with honor for nearly forty years. In 1849, when the name of the Company—as already noted—was changed to "New York Life Insurance Company," it faced what threatened to be a catastrophe in an epidemic of cholera in the United States. The mortality in certain parts of the country was so disastrously high that during the prevalence of the epidemic the Company seriously considered limiting the issue of its policies to residents of New York and Brooklyn alone.

In this year the gold rush to California, a year outstanding in American history as the beginning of the great pioneering period of the "forty-niners," added a new vision and a new problem to the consideration

of the Trustees. The western portion of the United States was still considered a dangerous region, and policy-holders were at first permitted to travel to California only around Cape Horn or across the Isthmus of Panama. It was not until March 1850, that a man could cross the continent by "the overland route through Missouri" without vitiating his policy.

In 1850 the Company first recognized "intoxicating drinks or opium" as inimical to a good risk. In this year, too, the Company had grown so that it felt justified in taking for the time what was regarded as commodious offices at 106 Broadway, which remained the Home Office for seven years. In 1850 the Company was strong enough to deposit $100,000 in securities with the Comptroller of the State of New York and to make annual reports to that officer. In this year Nylic also took over the business of the Phoenix Insurance Company, of St. Louis, amounting to over a million dollars of outstanding insurance. At this time began those legislative conflicts with regard to State regulation which have lasted to this day, and which will be discussed more fully later on.

The insurance investigation of 1906 with the unsuccessful attempt at that time to impeach the integrity and responsibility of its officers, is usually regarded as marking the darkest and most painful period of the Company's history. But this attack was not the first of its kind. In 1852 and 53, under an investigation of the New York Legislature, a special commissioner, appointed by the governor, made some criticism of the finances of the Company. The Board of Trustees felt that there was an underground but determined effort being made to discredit the Company in the eyes of the public. Its financial management had been reported in detail to the State Comptroller and he was asked

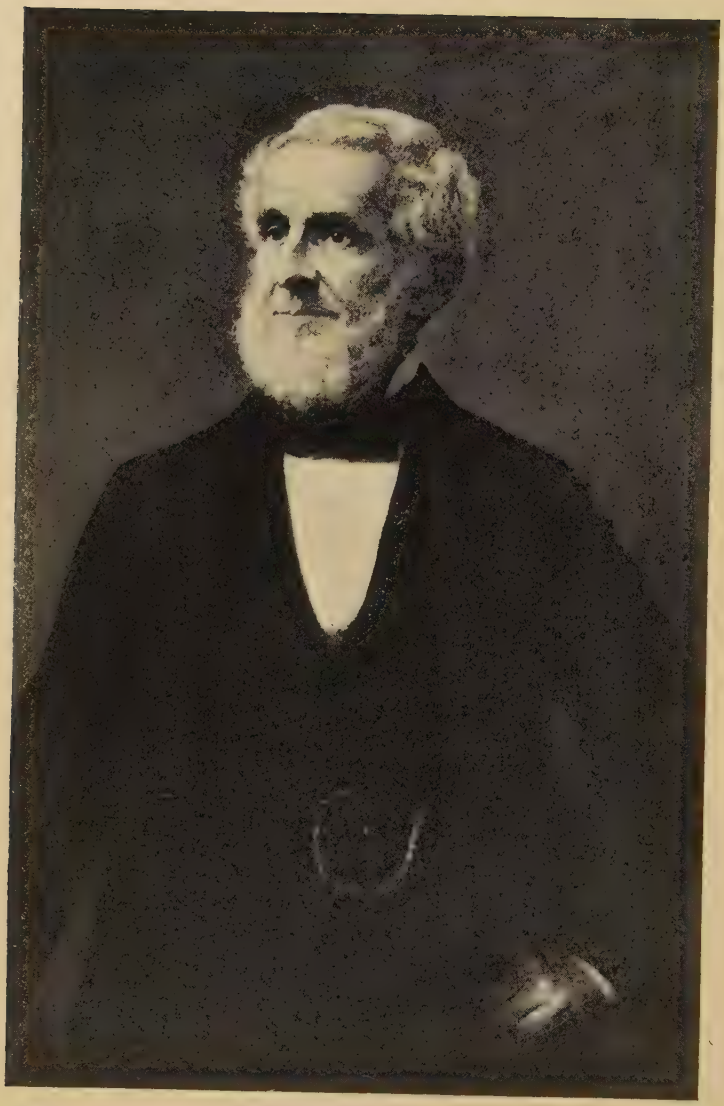
by the Company "whether from statements on file in his office, or in his possession, or from information upon which he relied, he believed the Company to be in a sound and healthy condition." The Comptroller replied that he had submitted the figures and statements of the Company to an analysis by an officer of one of the best conducted and soundest companies in a neighboring state and that in his judgement the New York Life Insurance Company was entirely sound, able to reinsure all its outstanding risks, to pay for the same out of its cash assets and to have enough left over to organize a new company. This bill of health put an end to all criticism and the attack fell to the ground as a similar attack fell in 1906. In 1845 the Company's annual income was a little over twenty thousand dollars; in 1854 its annual income was three hundred and fifty thousand dollars. At the end of the year 1845 its insurance in force was three hundred and fifty-nine policies amounting to eight hundred thousand dollars; at the close of the year 1854 it had three thousand, four hundred and thirty policies outstanding amounting to ten millions of dollars. It started in 1845 with a subscribed guarantee fund or so-called "capital" of fifty thousand dollars; in ten years its invested assets had by normal growth reached the handsome figure of nine hundred thousand dollars. Thus the Company completed its first decade in a strong and healthful condition. It had passed the experimental stage and began to strike out with vigor in new directions when it was threatened with what might easily have been a death blow.

CHAPTER IV

A National Convulsion

In the New York Life's second decade the United States was stricken with the greatest convulsion of its history. The political structure of the country was disrupted by a disastrous civil war; its industrial system shaken to pieces; the institution of negro slavery on which half, and perhaps the wealthiest half, of the people subsisted was violently abolished; the fabric of national finance was torn to shreds. The recovery of the Nation from such an economic and social catastrophe is one of the miracles of history. How the body politic, infected with every kind of virulent germ of disintegration and death, threw off the poison and recovered its health nobody even now fully understands. While engaged in the struggle the nation was in such desperate straits that it was almost unconscious of its peril. But looking back it is easy to see now in what a parlous state the country was.

The Southern states were almost wholly agricultural and were governed by an aristocracy of planters, while the bulk of the population was composed of slaves and "poor whites." On the other hand the states of the North Atlantic seaboard were industrial in character. Now, whatever may be the defects of an industrial society, it is a fact, easily confirmed by a study of history, that education and the protection of public health have developed faster in a manufacturing than in an agricultural civilization. Professor Samuel Eliot



MORRIS FRANKLIN
Third President
December 22, 1848—October 22, 1885

Morison,* who is not unsympathetic with the economic and social forces which led the advocates of secession to make their supreme sacrifice, thus describes the condition of Southern society in 1850.

> Slavery and cotton preserved in the South a rural, almost feudal, society. The old Anglo-Virginian contempt for merchants still prevailed. Agriculture, the Army, the Church, and the Law were the only proper careers for a planter's son. Northern and European merchant-bankers and ship-owners handled the cotton crop, and took most of the profits. . . . There were few factories; for capital was tied up in slaves, who produced greater profits by growing than by spinning cotton. The upland whites were too independent, and the poor lowland whites too enervated by malaria and hookworm, to become factory operatives. European immigrants shunned a region where manual labor was regarded as "nigger's" work, and where they had even less protection than in the North against violence. Railway development was slow, for the relatively sparse population of the uplands was largely self-sustaining, and cotton afforded good traffic during [only] a brief season of the year. The main roads in Kentucky, Virginia, and the Carolinas were considerably improved, and provided with decent inns; but west and south of these States one followed the usual pioneer sloughs and trails. . . . Frontier conditions still prevailed through the greater part of the lower South in 1850.

Notwithstanding these conditions, the Southern leaders were prone to look upon the North with a social contempt bred of their aristocratic traditions. On the

*_The Oxford History of the United States,_ by Samuel Eliot Morison, Professor of History of Harvard University, sometime Harmsworth Professor of American History in the University of Oxford.

other hand the Northern leaders of the New England type regarded the South with feelings which were tinged by a streak of self-righteous condemnation inherited from their Puritan ancestors. In the South there was a very general belief that the North would not dare to fight, that Northern commerce could not exist without Southern cotton and that in an appeal to arms one Southerner could whip at least five "Yankee shopkeepers." The "man on the street" in the North felt that the secessionists were a lot of rebellious children who must be thrashed into obedience. Both sides thought the war—if there should be a war—could hardly be serious and would in any event be brief. Lincoln's first call for troops was for ninety days only, and there were many staunch patriots, like Horace Greely of the New York *Tribune,* who shrank from the use of bayonets and wished to treat the seceding states as "wayward sisters." Only here and there could be found a far-seeing man who appreciated that the struggle was bound to be a deadly one between two deeply antagonistic systems of government—men like Senator Mason of Virginia (the Mason of the notorious Trent episode), who defined it as "a war of sentiment and opinion by one form of society against another form of society," and Senator Seward of New York (later Lincoln's distinguished Secretary of State) who described it as an "irrepressible conflict."

It is not surprising that the country at large failed to realize the disaster towards which it was slowly but surely being carried. The irresistible movement of the current of history is seldom felt by those who are floating on its surface. The direction of this current is understood only by those of subsequent generations who look back upon its effects. It was so with the World War in our own time. Europe believed that

the clash in 1914 between Austria and Serbia would be confined to the Balkan States. Only very reluctantly did England come to the conviction that her life and future was involved in the contest. And even after two years of fighting, when Europe had been turned into a vast battle-ground, the American people, still unable to forecast the future, elected a President because he was "keeping us out of the war." Yet within two months of his inauguration the inexorable course of events forced him to enter the conflict.

The President and officers of the New York Life Insurance Company can therefore hardly be criticized for failing to realize in 1860 that the life not only of the Company but of the nation itself was at stake. How little even the most intelligent and experienced observers of national affairs appreciated the trend of events is singularly revealed in some correspondence between President Morris Franklin and the Company's agent at New Orleans. In April, 1861, the agent wrote:

> The necessity for giving answers to persons insured in your Company concerning the rate to be charged for military service becomes more and more pressing. They may be called upon by authorities they cannot disobey, to enter it, and as it concerns their wives and children, they want it settled. Also give me the construction your Board will put upon the words "or in the known violation of any law of the United States," as they relate to military or naval service in the Southern Confederacy. . . . Other companies are charging one per cent extra for military service.

To this inquiry Mr. Franklin replied:

> We have fixed upon no rate to cover the war risk, for, as at present advised, we shall not under

present circumstances assume it. We consider the present movement of some of the Southern States as embraced in the clause noted, viz., "in the known violation of any law of the United States," consequently should either of our insured fall in what may be considered to be the discharge of his duty, our Company will not hold itself responsible under the conditions of our policy. Regretting, as we most sincerely do, the necessity which compels us to this course, justice to our policy-holders at large requires us to assume this position, and we know of no company in this city or elsewhere disposed to take a different view of the present most unfortunate condition of our national troubles. *In the ardent hope that the time is not distant when the notes of fraternal war shall cease to be heard in our once happy land,* I remain, etc.

This attitude was not satisfactory to the New Orleans agent, and after a lively further correspondence Mr. Franklin, a month later, made a final statement of the course which the Company would pursue in its relations with Southern policy-holders:

Under strict legal construction of the policy, the entering into a military organization would vitiate it, but our Company have adopted the more liberal rule of only holding it in abeyance during such departure from the conditions. . . . Your understanding is correct as regards reinstating policies. All we shall require at the termination of the war, *which we pray God may speedily arrive,* is that the back premium shall be paid and proof given of good health, the same as we now ask in all cases of lapsed policies, for non-payment at maturity. In speaking of the value of a policy forfeited in consequence of death by exposure from enlistment, we mean such an amount as we would

> have paid the party had he offered to surrender and sell his policy previous to its forfeiture.... *We shall continue to maintain, we fondly hope, the most friendly relations with our New Orleans agent,* and although differing very materially upon national affairs, we have now, as we have always had, great confidence in his honor and integrity.

The phrases which the present writer has italicized in this correspondence are indicative of the general impression that the break between the two sections of the country would be only temporary and could be easily adjusted.

The officers of the Company had no experience of the economic effects of war to guide them in their new problems. To be sure the country had engaged in the Mexican War from 1846 to 1848 but that military adventure had little or no effect upon the routine of the business of the Company which was devoting all its energies at that early stage of its existence to establishing itself in New York and the immediate vicinity. The collision with Mexico was chiefly on foreign soil; few if any of the policy-holders were subjected to the physical risks of war; and to a certain extent the conflict was an aid rather than a detriment to the spread of life insurance. For the expulsion of Hispanic influence in the Southwest ultimately resulted in the extension of American control in Texas, New Mexico, Arizona and California, thus greatly extending the Company's field of activity. Moreover, in spite of the threatening war clouds which appeared above the horizon in 1860 the executive officers of Nylic felt a justifiable confidence in its financial ability to withstand any conceivable shock. In ten years it had collected nearly two millions of dollars in premiums; had received one hundred and fifty thousand dollars in interest and rent; had paid

policy-holders something over eight hundred and fifty thousand dollars in losses and benefits; and had spent for taxes and administration something over three hundred and fifty thousand dollars, leaving about a million dollars safely invested for the benefit of its policy-holders who were nearly three thousand in number. These were huge and encouraging figures for those days and naturally created faith in the permanency of the country.

Nevertheless in 1859 the Trustees, without quite understanding why, began to suspect that their Southern business was not only less profitable than their Northern business but was actually done at a loss. They called for a report from the executive officers and it was discovered that while the agents of the Company in the North had written three times as much insurance as the Southern agents, the death losses on Northern policies amounted to only 35% of the premiums while on Southern policies the death losses amounted to 53% of the premiums. It was evident that Southern mortality was very high and that premiums in the South would have to be increased in order to place the two sections of the country upon an equal basis. But before an actuarial plan could be worked out the sudden tragedy of Fort Sumter occurred and the Company's business in the Southern states was thrown into hopeless confusion. It is still true that in certain sections of the South mortality is higher than in the Northern and Central States, owing to defective sanitation and hygiene, inferior public education, and lower standards of living; and there are several standard life insurance companies doing a national business which refuse to write policies in these sections. However, one of the beneficial results of the Civil War was that it created a national self-consciousness, a national pride

and national standards of education, hygiene and economics. Under this national impulse the South has made amazing progress in the sixty-five years that have elapsed since the Civil War, a progress unprecedented in history under similar conditions, and the necessity for actuarial discrimination is rapidly passing away.

In 1861, however, neither the New York Life nor its Southern policy-holders could give much if any thought to these more or less abstract philosophical questions. The South was battling for its life; Nylic was battling for its business. Each was concerned with what was to happen to it in the course of war. But all through the correspondence of the time between the Company and its agents and policy-holders runs a vein of consideration for mutual rights which indicates that from the very beginning the Company has felt a keen sense of trusteeship and has not been contented to assume a more technical and legal attitude with regard to its obligations. Letters of anxious foreboding were constantly received from policy-holders.

A clergyman in Virginia put his perplexity thus: "I am a preacher. I have a wife, children and servants [slaves]. Suppose an armed force approached my house, or forced themselves upon my premises, and in defending my family and my rights I get killed—will my policy become null and void? Or suppose they steal my servants, and in my efforts to recover them I am killed—does my policy become null and void?"

A captain in the United States Army at Fort Sumter made this inquiry: "Being insured in your Company I am desirous to be informed whether in case we are attacked by the forces of South Carolina, and I lose my life in defense, the Company will pay the amount of my policy to my family."

A policy-holder in Louisiana anxiously asked:

"Please inform me what course is proper as to the renewal and payment of my life insurance policy. We are on the eve of a long and dreadful war between our respective nationalities. Communication will be interrupted for months, perhaps years. I might not be able to remit. If death occurred, could you or would you pay? Is it lawful for a citizen of one country to insure his life in a foreign and hostile country? Can the payments be made through neutral mediums, say Liverpool? If no arrangement is practicable or proper, will you refund, etc.? I make these inquiries because I know—what the North has not yet recognized—that the South will *never* submit to Lincoln's Administration."

In response to these and similar inquiries the Company made one uniform answer, namely, that it would "fulfill and recognize in good faith all its obligations, let legal questions be decided as they may; for, independent of technicalities of law, justice and equity will continue to control all our operations." And on this basis it continued to endeavor to do business in the South, but finally it had to suspend all business relations with the Confederate States for in August, 1861, Congress prohibited all commercial intercourse with those States. "The Company," said Assistant Secretary Hudnut in his semi-centennial history, "had done its best to serve its Southern policy-holders in these trying times, but was compelled at last to yield to the inevitable." At the close of the war, however, settlements were made with Southern policy-holders on terms which elicited their grateful approval. In 1861 the United States Congress had not only prohibited commercial intercourse with the Southern states but had passed an act confiscating all property of their citizens who would not take the oath of allegiance. When the

question was raised by agents as to what effect this would have upon Southern policies, President Franklin replied that the Company would decline to "take advantage of any technicality to avoid the payment of these policies." Generous surrender values were paid to those who gave up their policies. In 1864 the Board of Trustees authorized their executive officers to reinstate Southern policies on the payment of back-premiums and interest and the receipt of a satisfactory certificate of good health and that the insured had taken no active part in the war. In 1867 this limitation regarding combatants in the Confederate military forces was finally removed.

A few cases may be cited as typical of the Company's attitude towards its policy-holders, both Northern and Southern, during the Civil War. A resident of Paterson, New Jersey, insured for two thousand dollars, raised a company for the 13th New Jersey Volunteers, and was killed at the Battle of Antietam. The records show that the Company issued no war permit, nor had the usual war extra premium of 5% of the face of the policy been paid. The insured had gone to the front leaving his brother to attend to his insurance, and a letter to his wife indicated that he supposed that the necessary war permit had been arranged. On investigating the case the Board referred the claim to the officers with power and the amount of the policy was paid in full.

The Company made, with ultimate success, such notable efforts to pay the losses on the lives of two citizens of Norfolk, Virgina, that the Mayor of that city wrote a grateful letter in which he said that the payments had "sustained the high reputation of your Company in this community which I hope it will long continue to enjoy." Perhaps the worthy Mayor was

especially moved by the fact that the Company was so anxious to settle its obligations quickly and honorably that it sent some of its correspondence regarding these cases into the beleaguered City of Norfolk under a flag of truce.

During the entire four years of the War the General Agent of the Company for Louisiana (Dr. J. S. Copes) had conducted its affairs with the greatest care and honor, although an ardent sympathizer with the Confederacy. He maintained the confidence of both policy-holders and officials of the Confederate Government by distributing a document in which Mr. Franklin's letters on the subject of Southern policies were freely quoted. In 1879, fourteen years after peace was established, Dr. Copes wrote to Mr. Franklin: "Hon. Morris Franklin, Dear Sir: Having occasion to reëxamine some press copies of former years, vivid memories of difficulties and perils are awakened by a perusal of the letter, a copy of which I enclose to you. I have thought that if you could in any considerable degree put yourself in my place at the time, and under all the conditions then environing me, you would the more fully appreciate the relief and elation of feeling with which I quoted your language from the several letters cited. It has always been regarded by the wise and good as noble and just, worthy of the best days and the highest exemplars of Roman virtues. . . . You confided in me and I confidently, yea proudly, believed and trusted in you. With great esteem, your friend, J. S. Copes."

A policy-holder in Savannah, who was insured in 1850 for two thousand dollars, paid his premiums until May, 1861, when the agent in that city declined to accept a further payment, although tendered in gold, because there was no way of transmitting the money

to New York. The insured died in January, 1865, holding, therefore, a lapsed policy. In 1867, when peace was restored, the Company, in investigating and adjusting its Southern claims, discovered this case, and the policy was paid in full. The Southern agents were confronted for four years with the difficulty, often the impossibility, of remitting premium collections to New York. In one case an Alabama agent sent a bill of exchange for more than £300 on London through the blockade *via* Havana. Even that method proved slow, for the bill did not reach its destination and was not cashed until three years after it was drawn.

Such were some of the complications of Nylic's business in the Southern states during the Civil War. But that titanic struggle affected the affairs of the Company not only in the South, but throughout the country. The letter files of the Company contain significant allusions to the general disruption of business at the outbreak of the war. From Baltimore the general agents wrote: "With us at Baltimore prospects grow apparently worse every day. People failing by scores, and the mechanical classes entirely idle. New business is out of the question to any extent. We have done all we could to assist our policy-holders, and we have their promises to pay in various forms for about $800, not one dime of which we could realize today."

From St. Louis came this plaint: "I am very sorry to send you back so many renewal receipts, but it is utterly impossible for people to get money." On the same day came a letter from Louisville: "We have lost many of our policies, not so much in relation to secession—these are few—as the want of money to renew them. Great is the distress of our whole community. . . . Our business is nearly all gone, and what to do to maintain our families we know not." An Ohio

correspondent had this comment to make: "The war feeling has prevailed here to such an extent that it has been a difficult matter to collect premiums falling due. In making my collections for April I had to take 'cats and dogs' as we say in the West—in other words, due-bills—orders on groceries, dry goods stores, and churches—and I hope I may get my money back."

Even Rochester, New York, found itself in trouble. The agent there reported: "If we are to make returns promptly on the first of each month, it will cause a mighty crushing of bones in our business. We think it not too large an estimate to say that our remittances will be reduced one-half."

The Company carried on its work, however, in the Northern, Central and Western States with energy; and in the year 1863, it issued more than a half of all the new policies written by the eleven life companies then doing business in New York City. This phenomenal success was attributed by the other companies to the fact that Nylic, waiving its previous prohibition to policy-holders to enter the military or naval service, had written large numbers of war risk policies at a slightly increased premium. In the year, 1865, the final year of the Civil War, its total income was over two millions of dollars; it paid to its policy-holders over three quarters of a million dollars; it disbursed for taxes and expense of management over three hundred thousand dollars; it wrote over sixteen millions of new insurance; it had over sixteen thousand policies in force amounting to over forty-five millions of dollars; its net assets were over four and a quarter millions of dollars; and its surplus over and above the reserve required to meet policy liabilities, was considerably more than half a million dollars. These figures were regarded with justifiable pride by the officers not

only as a measure of the remarkable success of twenty years' work but as a barometric assurance of future prosperity.

Although the Civil War period was full of problems, perplexities, and even apparent disasters for Nylic, it resulted in one piece of national legislation which was of the greatest importance to its expansion. The effect which it was to have had upon the business, however, was probably hardly realized at the time. This legislation is intimately connected with the career of one of the least understood and most maligned presidents of the United States, and the story is a romance of American history which deserves relation at some length in these pages because of its bearing upon the growth of Nylic and the prosperity of every individual connected with it.

Most citizens of the present generation who were born and educated in the North are inclined to regard Andrew Johnson not merely as one of the weakest of our presidents, but even worse than that—as a drunken ignoramus and a traitor to his country.* The fact is that he was one of our strong Presidents and performed very great and patriotic services for his country's welfare.

In 1846, one year after the birth of Nylic, Johnson, then a member of Congress from Tennessee, introduced a Homestead Bill which provided that "the Government's Western lands should be divided up and provide homesteads to *bona fide* settlers without money or price." One hundred sixty acres would be thus granted to individual citizens of the United States, upon condition of settlement and cultivation for a specified num-

*"In the historical literature of the last half century he [Johnson] is represented at the best as a pugnacious idiot, at the worst as a drunken ruffian. Actually he had all the private virtues, and timidity rather than pugnacity was his fault."—Samuel Eliot Morison.

ber of years. Johnson fought for this bill for fourteen years against the Conservatives who wished the land sold to men of property and were sincerely afraid of its occupation by "the rabble." His two main arguments were, first, the sociological one that free and ambitious labor should have a chance to satisfy its land hunger; and second, the economic one that free settlement of the West would eventually bring the Federal Government much more money in the form of taxes than any conceivable proceeds from the sale of the public lands to the wealthy. The Bill was finally passed in 1860, but just before the inauguration of Lincoln it was vetoed by President Buchanan under pressure of the Southern slave-owners who did not wish the West to be developed by free labor. In June, 1862, when Johnson had become Vice President in the first Lincoln administration, the Bill was passed again, signed by President Lincoln, and Johnson was called on the floor of the Senate "the Daddy of the baby." If Johnson had never done anything else his espousal of the Homestead Law entitles his memory to the gratitude of the country. Agriculture is still the greatest business in the United States; it employs more people than any other industry; the amount of money invested in farm buildings, equipment and animals is far greater than in any other form of American industry; and no single legislative factor in its development has been so important as Johnson's Homestead Law.

Johnson was not a man of broad general culture. He had little schooling, learned to read laboriously and was taught to write by his wife after his marriage. Although a Southerner born and bred, he kept the State of Tennessee in the Union during the Civil War and for that reason was selected by Lincoln in 1864 as his candidate for Vice President. When Johnson succeeded to the Presidency he opposed the Northern

radicals of the Charles Sumner School in their policy of cowing and ruling the Southern states by force. He thus incurred the enmity and even hatred of both the South and the North.

The chief point of conflict between President Johnson and the Senate was over what is known as the "Tenure of Office Act." This law was passed to prevent President Johnson from dismissing from his Cabinet members who were unsympathetic with his policy of conciliation towards the Southern States which had seceded from the Union during the Civil War. Under this Act the Senate claimed that no officer of the Government who had been appointed by the President by and with the advice and consent of the Senate, could be dismissed without similar consent. Johnson contended that this law was unconstitutional, refused to obey it, and was impeached. President Grant and President Cleveland vigorously opposed it and it was finally repealed in 1887. But Johnson's insistence upon its unconstitutionality was not passed upon by the Supreme Court until fifty years after his death.

In 1926, in a minor case* connected with the removal of a postmaster, Mr. Chief Justice Taft, in a long and exhaustive review of the constitutional powers of the President, delivered the opinion of the Court "that the Tenure of Office Act of 1867, in so far as it attempted to prevent the President from removing executive officers who had been appointed by him by and with the advice and consent of the Senate was invalid and that subsequent legislation of the same effect was equally so." Thus in a dramatic fashion President Johnson's interpretation of the Constitution has been confirmed by one of his successors in the high office which he held.

*See Myers case, page 160—Rochester Edition, United States Supreme Court Reports, October term, 1926.

Although President Johnson was right he was both cantankerous and obstinate, and the conflict with the Senate led to his impeachment. It was fortunate for the country that the angry Senators, his political enemies, failed to convict him for if the impeachment proceeding had been successful it would have set a strong precedent for the removal of a President on trumped up charges by political enemies, and the country might have fallen into the state of some of the South American Republics where the instability of the presidential office leads to frequent revolutions.

Three American statesmen, Jefferson, Marshall and Johnson, although of different political parties and radically different in personal traits and qualities, might with some appropriateness be adopted as the patron saints of Nylic. Certainly without them Nylic could never have grown to its present proportions. Marshall, by his incomparable judicial decisions, extended the power and protection of the Constitution from the Atlantic to the Pacific; Jefferson, by his prophetic Louisiana Purchase, extended the territory of the United States from the Gulf of Mexico to the Columbia River; and Johnson,* by the Homestead Law, extended into this vast territory the settlement of a vigorous, wholesome and hardy citizenship. Thus it came about that at the close of its second decade Nylic had for its field of operations an area and a population unprecedented in history. But there were still some perplexing economic problems to be solved as will be seen in the next chapter.

*For an impartial but sympathetic valuation of Andrew Johnson's services in the economic progress of the United States consult Judge Robert W. Winston's biography of Johnson (Holt, 1928) and a lecture on the growth of Southern industrialism by Professor T. J. Wertenbaker in the Princeton Alumni Weekly for January 18, 1929. Judge Winston and Professor Wertenbaker are both Southerners.

CHAPTER V

The Reconstruction Era

ONE of the most unhappy periods of American history is comprised of the ten years following the Civil War,—the period of so-called "Reconstruction." Whether Lincoln, if he had lived, could have readjusted the relations of the North and South without bitterness and acrimony is an academic question which it does little good to discuss. The historical fact is that not merely the narrow-minded politicians, but even the experienced and patriotic statesmen of the North united in a mistaken and unfortunate attitude towards the South. They treated the entire body of the white population in the seceding states as criminals who had to be punished for their treason and compelled by force to perform their duties to the victorious Federal government. It is not extravagant to say that if they had been actuated by the humane and fraternal spirit which governed Nylic in its treatment of its Southern agents and policy-holders, the country might not have had to wait until the outbreak of the Spanish War in 1898, a lapse of more than thirty years, for a complete reunion of the two sections of the country. Whatever bitterness may still remain in the minds of the older generation of Southerners is due not to the victory of the Federal Government in open and gallant warfare, but to the smarting sense of injustice caused by the substitution of military rule for civil government in the Southern States after the war was ended. The New

York Life made no such mistake. To be sure, its policy-holders and its agents in the South remained loyal to the Home Office even when they were doing their best to destroy the Home Government of the Union. But the Company endeavored to cultivate this loyalty by a generous attitude, although it never ceased to insist that it was unalterably opposed to secession. After the fall of Richmond and the surrender of General Lee the Company began slowly to reorganize its broken and disjointed Southern business, and it was then that the Southern Department was created which has now become one of the most prosperous divisions of the agency force. In this work of reorganization the executives proved themselves to be wise as serpents but harmless as doves. The South was economically prostrate and many of the leaders of the "lost cause" were hard put to it to make their bread and butter. By selecting as its Southern representatives some of these leaders the Company not only availed itself of the services of men of accomplished administrative ability but provided some Southern men of influence with sorely needed work which was dignified, useful and remunerative. One of the partners in a firm which conducted the General Agency for Georgia, Florida and Mississippi was General Joseph E. Johnston. General Johnston was a graduate of West Point where he was a classmate of General Robert E. Lee, and he became one of the most distinguished and respected soldiers of the Confederacy. Like Lee, he resigned his commission in the United States Army when the Civil War broke out and was appointed one of the first five Brigadier-Generals in the Confederate service. He not only showed the highest military skill, but he was a man of the finest character and personality. General Grant said of him: "I have had nearly all the Southern

generals in high command in front of me, and Joe Johnston gave me more anxiety than any of the others." The opinion of a competent English military observer was that Johnston displayed "such versatile skill and unwearying energy as the records of war can hardly match." His character and administrative ability were such that President Hayes, on taking office in March, 1877, had, "magnanimously and with considerable foresight,"* determined to make him Secretary of War but was compelled to abandon the plan by the bitterness of Northern political opposition. Thus the Government was deprived of an advantage in its Reconstruction policy which Nylic was quick to seize. It is not surprising that his appointment to be a representative of the New York Life inspired the Southern people with confidence in the sound judgment of the Company. General Johnston's name is not one of the least brilliant in the galaxy of distinguished men who have served the Company in positions of responsibility during the eighty years of its existence.

The Company not only energetically set to work reorganizing its Southern business, but it began to push its way towards the Pacific coast. In 1866 the representatives of the Company "went as far West as Denver in search of business"; in 1869, on the completion of the Union Pacific Railway, which united the Atlantic and Pacific by bonds of steel, agencies were established in Utah, Montana and Nevada; and in 1870 the office of Superintendent of Agencies west of the Mississippi River was opened in San Francisco under the direction of Colonel A. G. Hawes.

Colonel Hawes is one of the picturesque figures in the early history of the Company. He was a Vermonter, went to Kansas, at twenty-one years of age

*James Ford Rhodes, *History of the United States.*

became an editor of a "free soil" paper in that state,—the battle-ground of the first physical struggle between the champions of free labor and slave labor,—took part with John Brown of Harper's Ferry in the fight at Ossawatomie, enlisted in the Civil War, helped organize an Illinois regiment, was honorably wounded at the battle of Shiloh, and at the close of the War was Colonel of the 149th Illinois. In 1867 he became a general agent of the New York Life in Kansas. He was then entrusted with the supervision of all the Company's operations west of the Mississippi and made San Francisco, of which he grew to be a distinguished citizen, his home for forty years except for three years which, at the request of the Company, he spent in London as general manager for Great Britain and Ireland. On his death in 1913, in his seventy-ninth year, President Kingsley said of him:

> The qualities that made him one of John Brown's men made him always a fighter, and yet he was a diplomat, beloved by all who knew him, even by those who disagreed with him. . . . His position in the New York Life was unique. At the time of his death he ranked all other men in the field in length of service. His life and services are already amongst the traditions of the institution. . . . The Hawes tradition springs from the service and inspiring example of a faithful and efficient servant, a patriot, a pioneer, a diplomat, a useful citizen, an old-fashioned gentleman, a dearly beloved friend.

His capacity for disinterested friendship and for persistence in reaching his goal is vividly illuminated by an unusual incident recently communicated to the writer by Heber J. Grant, President of the Mormon Church in Utah:

Colonel Hawes came to Utah on the overland stage before there was a railroad. He came to my mother's home in Salt Lake City when I was a small child. One of his agents was boarding with my mother and this agent invited Colonel Hawes to take dinner one Sunday at my mother's home. The Colonel insisted on my mother's accepting him as a boarder. She declined at first but he would not take no for an answer. Finally my mother told him frankly that she had no place for him to sleep. "Where does this boy (referring to me) sleep?" asked the Colonel. My mother smilingly opened a door leading into a small hall room with the only window opening into an adjoining room. The Colonel said: "Well, that's big enough for me. I do not care where I sleep; it's what I eat that interests me. I have fallen in love with your face and I am determined to live here." Mother still declined. The Colonel would not yield. He simply remarked: "Pardon me, madam, but I plainly see evidences that lead me to believe you have not the necessary money to buy a bed and bedding." He then pulled out his pocket-book, counted ten ten-dollar bills, and handed them to my mother, adding: "Go buy that bed. I am coming here to board." He came. Subsequently he brought his bride there. From that day until the day of his death, of all the men I have known not of my religious faith, Colonel Hawes was the most loyal, true and steadfast friend I have ever had. A year before his death he wrote to me: "My health, I regret to say, is not very good. I have a Scotch doctor who would like to scare me, but on one who regards death as a mere incident, not a serious affair, he can't produce any effect."

Not even the prospect of death could impair his

courage and persistence in pushing forward what he believed to be the beneficent work of the New York Life.

There had been an agency established in San Francisco nearly ten years earlier than Colonel Hawes' advent as Superintendent, when the only lines of communication between that city and New York were overland by "covered wagon," around the Horn by sailing vessel or across the Isthmus of Panama by the newly built Panama Railroad. To transact business with this agency was somewhat like dealing with another planet. It was found necessary to organize a local Board of Trustees who had authority to issue policies good for ninety days, which was the time necessary to submit the application to the Home Office in New York and receive its approval in return. Nor was distance the only obstacle to contend with. State pride, which the later remarkable development of California fully justified, resented the extra premium rate of one per cent which was imposed because of the prevailing frontier conditions. There were numerous protests typically voiced by a letter from one policy-holder who wrote, "Your Company ought to *allow* me two per cent for residing in the healthiest country on the American Continent." The result was that the Company, after careful investigation of mortality data, substituted, in lieu of the premium extra, a charge for medical examination and the cost of exchange in transmitting premiums to New York. "This we have reason to believe," said the executives in recommending the change to the Trustees, "would satisfy applicants, as the objection does not appear to be so much the price for insurance as the, to them, apparently humiliating fact that the increase is called and charged an 'extra,' thereby alleging, at least by implication, that the climate of California is

inferior to our own." This incident is an amusing confirmation of the undoubted fact that California's climate has been of greater economic value to the "Golden State" than all her gold mines.

It may here be recorded, as an example of the difficulties that the Company has had with State Legislatures, that in 1874 the California solons passed a law requiring among other things that every insurance company organized in another State and doing business in California must have a resident agent who should have all the powers of the President of the Company. "Any act, statement, representation or agreement" made by him was to have the same force and effect as when made by the Company itself. With the passage of this law the New York Life and twenty-eight other companies withdrew from California. In 1878, however, the Californian legislators, having discovered that their action as to life insurance was injurious to the best interests of the State and having amended their laws to conform to the best practice of the time, the Company reëntered California.

In addition to the difficulties experienced in reorganizing its Southern business and in adjusting itself to the new conditions resulting from the rapid expansion of the West, the Company had to meet perplexing competition at home. Its steadily increasing success of twenty years aroused if not envy, at any rate, antagonism, in certain quarters, for while it may be true that "nothing succeeds like success," it is also true that success is apt to breed jealousy and its accompaniment of slander.

One of the disheartening experiences of life in other fields than life insurance is that the motives of generous actions are often either misconstrued or maligned. During the Civil War, when the New York Life was

one of the very few companies issuing war risks, an official of another company made a violent attack in an insurance journal of the day, on those life insurance companies which were issuing war permits, saying that "some of the large companies may combine and take war risks, but their object is to lead the younger companies to do the same, in order that they may be used up, and thus lessen competition." Such are some of the rewards of generosity in business!

How groundless was the accusation that the New York Life desired to destroy younger and weaker companies appears in an important move which the Company made in 1872, with regard to the loading of premiums. Loading is an amount added to the net premium to provide for expenses of administration and future contingencies. On almost the last day of the year of 1872, President Winston, of the Mutual Life Insurance Company, proposed to lower premium rates by reducing the loading of all net premiums to ten per cent. His argument was that for three years previous the Mutual's expenses of administration had averaged a trifle less than ten per cent of the gross premium receipts. The three companies having the next higher expense ratios in 1871 were the New York Life (10.90), the Mutual Benefit of New Jersey (10.6) and the Equitable (15.52). The expenses of other companies were very much higher, the average of some excellent small companies rising as high as 30.51. The New York Life, with a percentage of 10.90, could easily have met the rate proposed by President Winston, but it would have been a crushing blow to the business as a whole, and the Company resolved to make common cause with its smaller competitors. "In doing this the Company did not prevent policy-holders from securing their insurance at the

lowest possible rates, since the higher premium needed only to be paid the first year; after that whatever reduction was possible by economy of management would be made by dividends."* Mr. William H. Beers, who had been elected Actuary of the New York Life in 1864, and became its President on the death of Mr. Franklin in 1885, acted as chairman of a committee of eighteen life insurance officers in addressing a letter to Elizur Wright, Insurance Commissioner of Massachusetts, asking his opinion on the question. Mr. Wright was not only the foremost actuary of his time but had been a college professor of mathematics and physics and was an eminent sociologist and humanitarian. Mr. Wright and two colleagues, whom he had associated with him in a study of the matter, replied that the proposed reduction would be "a virtual abandonment of cardinal principles of security and equity" and that "it cannot be carried into effect without injustice to existing policy-holders and a decrease of their security." When this opinion was laid before Mr. Winston he brought it to the attention of his Board and the Board tabled the proposal. A few years later the Mutual Life did make a reduction in its premium tables, although much less radical than that first proposed, but after an experience of six years it abandoned the reduction and adopted rates higher than those which prevailed when President Winston's first proposal was made. Thus it may truthfully be said that the New York Life not only helped one of its strongest competitors to escape the consequences of a serious error, but also actually saved the lives of a number of its younger rivals. It believed it to be more important that the business of life insurance as a whole should be based on scientific calculations

*Hudnut's *Semi-Centennial History.*

than that any one single organization should have a specious advantage in the agency field.

From the very beginning the New York Life has consistently taken the ground that it does not desire—nor would it endeavor to obtain—business by making unsound and unsubstantial promises to its policy-holders. It is a purely mutual company,—that is to say, all the profits and advantages that accrue from sound investment and wise, economical and skillful administration go to the participating policy-holders. The New York Life did issue, up to 1906, a small proportion of its business on the non-participating plan, under which all the profits, if any, accrue to the Company for the benefit of the participating policy-holders. The Company, at the present time, issues annuities which are without participation in the surplus, but the great bulk of its business is the writing of participating policies and there are not, and never have been, any stockholders to receive special benefits. In the period of which we are now speaking (1865-1874), there were stock companies which were tempted to make unsafe offers to policy-holders because of possible or visionary profits that might be obtained by those owning the stock. Many of the stock companies of that period have now passed out of existence because of their inability successfully to combine the principles of mutuality and private gain. One instance has a kind of melancholy interest for a student of the history of the New York Life.

In 1864 Mr. Pliny Freeman, who had been Actuary of the New York Life for nearly twenty years, resigned to organize and become President of the Globe Mutual Insurance Company. The Vice President of this new enterprise had been previously a General Agent of the New York Life. Although the Globe

was called a mutual company it had a paid up stock capital of $100,000 which by its charter could be increased out of the profits to $600,000, and the interest thereon paid to the stock-holders.* For eleven years Globe was apparently successful. In 1875 it reported over four millions of dollars in assets and five hundred thousand dollars in surplus. But in 1879 it became insolvent and went into the hands of a receiver. Of this unpleasant incident President Franklin said to the Board of Trustees at the annual meeting at the close of the War: "Notwithstanding the disadvantages under which they [the Nylic executive officers] labored during the present year in consequence of increased competition, the large excess of commissions paid by other companies, and the organization of another company under the presidency of their late Actuary, the business has still increased." What a thorn in the flesh this "upstart" Globe Company must have been to the Nylic executives may be imagined from this special reference to it in Mr. Franklin's report. It may be some comfort to his shade beyond the Styx to know that the unfair methods of the Globe resulted finally in its insolvency, while his more conservative organization has kept on until its assets are one billion six hundred millions. Sometimes, in spite of the pessimists, virtue is handsomely rewarded!

During the reconstruction days following the Civil War, Nylic had not only to contend with unsound and unjust competition, but with singular and almost fanatical opposition to life insurance on the part of a portion of the public. There is in the archives of the Company a curious pamphlet, published in Pittsburgh in 1870, entitled "Evils of Life Insurance."

*Hudnut's *Semi-Centennial History.*

Judging from his style, the author was a man of education. But he argues that life insurance is immoral because it is flying in the face of Providence with whom should be wholly left all questions of life and death. At a Diocesan convention of the Protestant-Episcopal Church, held in Missouri in 1856, the Bishop of the diocese referred to two proposals which he had previously made for the improvement of the affairs of his languishing parishes. These proposals were: "First, that in every parish a parsonage should be furnished to the clergyman; and, second, that in every parish the life of the clergyman should be insured for the benefit of his wife and children, or other tender and dependent relatives." He reported that to his astonishment he found great objections to his suggestion of life insurance on the ground that it "is an attempt to control the will and purposes of Heaven—to fix the allotted period of our lives—and, at best, that it is a game of hazard." He answered these objections by saying: "I claim that life insurance is not only a humane, but I might almost say, a Christian institution. . . . The objections urged would apply with equal force to the insurance of our houses, our ships, or their cargoes; for, who but Heaven controls the winds and the waves? . . . The average risk on human life, on the basis of which life insurance is effected, is based upon tables made in different countries, upon a series of long calculations and observations, extending through years—so that there is not in reality in life insurance such a game of chance as may be imagined."

The good Bishop's arguments are today accepted as foregone conclusions. The only reason for reporting them here is to give the modern reader some idea of the difficulties which the early proponents of life insur-

ance had to face. Indeed, the New York Life issued a circular in 1869 entitled "Wrong Notions Corrected," in which it answered briefly and seriatim ten tabulated misconceptions. The first three are worth quoting: "1.—It is not impiety to talk of Life Assurance; for it is not assuring *existence,* but *possession.* 2.—It is not distrusting Providence; for Providence was not designed to preclude self-help. 3.—It is not a chance operation; for it proceeds upon a strictly legitimate and scientific basis." It is evident that the accusations of impiety were having a retarding effect upon the business.

Notwithstanding annoyances of unfair competition and public apathy, there are some cheerful accomplishments of the reconstruction period to record. In 1867 the Company had outgrown its supposedly ample offices at 112 Broadway. A fire destroyed the building of Messrs. D. Appleton and Company, the publishers, at the corner of Leonard Street and Broadway. Mr. William H. Appleton was at that time head of the publishing firm and a Trustee of the New York Life. It has nothing to do with the affairs of the New York Life, but nevertheless it is an interesting fact to record that Mr. Appleton was an intimate friend of the novelist Thackeray. He had met Thackeray in Paris, and when the famous author of "Vanity Fair" visited New York Mr. Appleton introduced him as a guest in a well known literary club in Clinton Place, to which Thackeray became greatly attached, "describing it as the most agreeable club he knew." In an article in the Century Magazine for December, 1901, General James Grant Wilson pictures Thackeray's visit to this club when he was first taken to it by Mr. Appleton:

> There he sat with an admiring circle, including Curtis and Cozzens and Daly, and smoked and

sipped, and sang his "Little Billee" and "Larry O'Toole" and "Dr. Luther," or listened to a sentimental song from Curtis, or a lively Irish air from Judge Daly. The artist Cranch also contributed charming songs, and "Tom" Hicks convulsed Thackeray with his droll imitations of Webster's oratory. He would draw forth a huge red bandanna handkerchief, and unfolding it with Dutch deliberation, would after many nose pullings and trumpet-blasts, proceed with his ponderous sentences.

Dr. Kane, the Arctic hero, told the fresh story of his wanderings, and, as Curtis charmingly relates, "We listened like boys to Sinbad the Sailor, until, rising from the table, and straightening his huge figure, Thackeray towered over the neat small person of Kane, and said to the host who provided the feast: "Do you think the doctor would permit me to kneel down and lick his boots?"

Whether Mr. Appleton ever talked to Thackeray about the New York Life only the Recording Angel knows. But the present writer likes to think that Mr. Appleton was a kind of liaison officier through whom one of the most delightful figures in English literature and the New York Life were brought into contact. At all events, the New York Life has a literary foundation in that its first complete and thoroughly modern Home Office was built on the site of a great publishing house. For on the morning of the fire which destroyed the building of D. Appleton & Company, while the ruins were still smoldering, Mr. Beers, then Actuary, called upon Mr. Appleton and made a proposal to purchase the site subject to the approval of the Trustees. The proposition was accepted, plans were invited from five prominent architects, and on May 1,

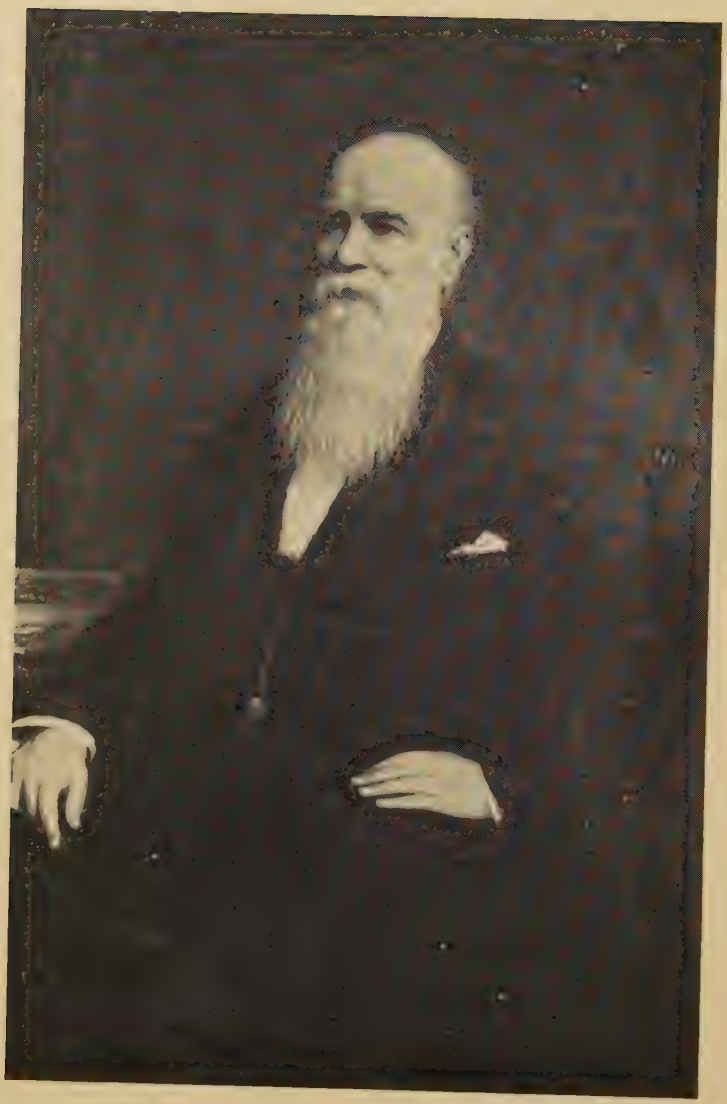
1870, Nylic occupied the new building, one of the finest office structures of its kind in the city at the time. Perhaps no small thing so strikingly illustrates the growth of the city and the growth of the Company as the fact that although "the building was modeled after the Erechtheum at Athens" and was designed "in a style at once massive and elegant" the Company found it necessary a few months after its completion to put in one elevator in order to attract tenants to the upper floors. This lone elevator was the manifestation of a progressive spirit, for it was one of the very first to be introduced into a New York office building. When the Leonard Street structure was completed it was believed that it was spacious enough to afford room for any conceivable growth of the business, but it was two or three times enlarged until further expansion was impossible and the present new Home Office on Madison Square (in which, it may be interpolated there are thirty-eight high-speed elevators) became a necessity for the efficient administration of the business.

The progress of sanitation and hygiene has been so great in recent years that we are apt to forget that in these early days in life insurance the companies had always with them the fear of epidemics. In 1873 there were dangerous outbreaks of yellow fever and cholera in the South and along the Mississippi River. Three thousand deaths from yellow fever and thirty-eight hundred deaths from cholera occurred. Nylic paid nineteen losses as a result of the yellow fever and eight losses as a result of cholera. In addition to the economic disturbance of these epidemics must be counted the immense destruction of wealth caused by the historic Chicago fire in 1871 and the great Boston fire of 1872.

The effect, even if it is temporary, of great national

disasters upon the general economic and financial prosperity of the country is sometimes overlooked. While the Chicago fire of 1871, the Boston fire of 1872 and the San Francisco earthquake and fire of 1906 did not directly affect the New York Life because the loss of life in all three disasters was very small, they did for a time destroy the savings and cripple the earning power (part of which might have gone to life insurance) of a very large number of people. In the Chicago fire property to the amount of $190,000,000 was destroyed; 70,000 people were rendered homeless; and great destitution and suffering ensued. In the Boston fire of the following year, 1872, the destruction of property amounted to $60,000,000. In the disaster of San Francisco in 1906, the loss has been estimated at over $200,000,000 and about a third of the city was laid in ruins. To be sure, all three cities have risen stronger and finer than before the disasters, but at the time they occurred they gave great concern to those managing the finances of the New York Life. In each case the Company not only faced its own problems with courage but contributed generously in money to the aid of the citizens of the stricken municipalities in their struggle to rise, as they successfully did, from what at the moment must have seemed to be irretrievable ruin.

The Chicago fire made a deep impression upon the country as the minute book of the Board of Trustees shows. There appears in the record of the meeting for September 13, 1871, a preamble and resolution which deserves quotation in full, partly because it shows the generous attitude of the Company in the time of general disaster and partly because it amusingly illustrates the pretentious literary style in which the leaders of the financial and commercial world indulged sixty years ago.



William H. Beers
Fourth President
October 27, 1885—February 10, 1892

> Whereas the heart-rending accounts which have reached us of the overwhelming calamity which has befallen our sister City of Chicago in the consequence of a conflagration probably unparalleled in the history of the world; which has laid waste the fairest and most valuable portion of that once flourishing and beautiful city involving the loss of an immense amount of property, reducing from comparative affluence many thousands of its inhabitants, very many of whom are at this moment suffering from poverty, hunger, disease and probable death, all of which appeals with irresistible force not only to the charity, but to the absolute duty of their more fortunate neighbors to extend a helping hand in this hour of their dire necessity by giving of their abundance a comparative scanty pittance to save from starvation, misery, and death, the heart-broken people, and as far as may be to unite with others of their citizens in the philanthropic and Christian work of providing for the immediate necessities of those who are ready to perish, until a kind Providence shall partially avert the blow and restore them to a more healthy and prosperous condition—therefore be it resolved that an appropriation of five thousand dollars be made for the purpose of carrying out the views expressed in the foregoing preamble and that the officers be authorized to forward the same to the Committee of Citizens now having the subject in charge, or otherwise to invest the same as they may deem expedient.

The involutions of this sentence, which for length surpasses some of the famous sentences of Senator William M. Evarts, may tempt the reader to smile, nevertheless the humane sentiments it expresses must command his sympathetic respect.

New York City has fortunately never suffered from any natural catastrophe like those with which Chicago,

Boston and San Francisco has been afflicted,—catastrophes wittily defined as the result of the "total depravity of inanimate things,"—but it has suffered from the total depravity of man; and at the very time that Boston and Chicago were burning, New York was being consumed by the greedy corruption of the notorious Tweed Ring. It is a matter of history that under the leadership of Samuel J. Tilden (afterwards nominated for the Presidency of the United States) and the *New York Times,* Tweed was convicted. He broke out of the Ludlow Street jail in 1875 and fled to Spain, but was returned by authorities of Spain as an act of international good will, and died in 1878 in the jail from which he had escaped. At the time of his death he held a policy in the New York Life for $10,581; it had been technically violated by his failure to obtain a permit to travel in Europe; and on that ground the courts upheld another company for resisting payment of a policy to his heirs. But as a permit to travel abroad would have been granted to Tweed if he had applied for it, the Trustees of the New York Life paid the amount of his policy to his daughters without a question, although the Company had contributed to the funds of the Committee of Seventy for the prosecution of Tweed. This contribution was made on the ground that the economic and social welfare of the policy-holders demanded the purification of the City of New York from political graft and corruption. The fact that the Trustees aided in prosecuting Tweed on the one hand, and promptly paid his policy on the other, shows how firmly they believed in the sanctity of contracts. Moreover, it was only another instance, although perhaps peculiarly dramatic, of the principle which the New York Life has followed from the very beginning of paying claims to policy-holders on a basis

of inherent equity and justice rather than that of the technicalities of the contract. This is an appropriate place, perhaps, to record some of the incidents in connection with the payment of policies less dramatic than the Tweed case but quite as indicative of the spirit of human interest and justice which may be seen running like a golden thread through the record books of the Company from its earliest days.

In 1869 a case of peculiar hardship occurred in which a debatable claim was placed in the hands of a lawyer for settlement. The mother of the deceased policyholder was the beneficiary, and after investigation the Company paid the policy on the grounds of equity rather than legal liability. The claimant's lawyer, however, embezzled the funds. The Company thereupon instituted the practice, which it follows to this day, of printing conspicuously on its policies the following notice:

"It is not necessary for the Insured or the Beneficiary to employ the agency of any person in collecting the insurance under this Policy, or in receiving any of its benefits. Time and expense will be saved by writing direct to the Home Office."

During the year 1872 there appear in the minutes of the Board of Trustees, written in longhand, two special reports of the Loss Committee. The personal care, although even at that time they were burdened with transactions running into millions of money, with which the Trustees watched over the interests of modest policy-holders make these reports worth reading. The first is dated March 13, 1872:

> The Committee have also had under consideration the case of L. I. O'Toole, insured under Pol. 69,490, March 19, 1870, for $5,000. During

the month of February last application was made by the wife and friends of the insured for a renewal of the policy which lapsed for the non-payment of premium Sept. 19, 1871. The facts as appear by the affidavits of Mrs. O'Toole, William H. Dempsey, his partner in business, Maria C. Waite, his sister-in-law and nurse, and Dr. Busey, his medical attendent, are that when said premium became due and prior thereto the said O'Toole was dangerously ill with typhoid fever accompanied with delirium so that he was utterly unable to attend to business of any kind, and his physician absolutely forbade any allusion to insurance or conversation with him in reference thereto,—that the existence of said policy was discovered for the first time among his papers November 27th and that no time was afterward lost in tendering the premium then overdue which was very properly refused by our agent,—that it was always the wish and intention of the insured to keep the policy renewed,—and that he was abundantly able to pay the premium. The said O'Toole has since died and the question arises as to the action of the Company in the premises. The Committee is of opinion that under the peculiar circumstances of the case the claim should be allowed and the amount paid to the widow upon receiving the usual proof as to death.

This report of the Loss Committee was accepted, and the widow received full amount of the policy. The second case, dated September 11, 1872, is equally interesting:

The Committee have also had under consideration an Endowment Policy for $5,000 upon the life of Thomas Dunn, being a ten years' payment non-forfeiture Policy by the terms of which, had appli-

> cation been made within twelve months after its lapse for non-payment of premium, the widow would have been entitled to a paid up Policy of $1,000. The party has died and the widow now claims the amount to which she would have been entitled for a paid up Policy within the prescribed time upon the plea that she had not read the conditions and was not advised that it was necessary to make application within twelve months and that she was entirely ignorant that such was the condition upon which she would receive $1,000 upon the death of her husband. The Committee is of opinion that although there may be no legal claim against the Company the widow has an equitable one which good policy would dictate should be recognized and paid; they therefore recommend that the claim of $1,000 be paid.

This recommendation was accepted and the name of Mrs. Dunn must be added to the long list of those who have found through their experience with the New York Life that "big business" is not necessarily cold-blooded.

One more incident may be related in this connection. In 1879 the following special dispatch was published in the Chicago *Tribune*:

> Mt. Pulaski, Ill., Dec. 20.—Mr. John Kreig, a dry goods merchant of this village, was found dead at his residence yesterday morning. The Coroner convened a jury, and held an inquest, the verdict being that the cause of death was unknown. As deceased was known to have had financial troubles, some people suspect that Mr. Kreig had committed suicide, and had a post-mortem held and the stomach removed, with a view of sending it to Chicago for chemical analysis. Mr. Kreig held Policy No. 116,814 in the

> New York Life Insurance Company, Morris Franklin, President, for the sum of $5,000. When it was decided to send the stomach to Chicago, a dispatch was wired to O. P. Curran, Manager of the New York Life, and that gentleman promptly responded as follows:
> Chicago, Dec. 20.—The New York Life pays all dead men's policies,—suicide or no suicide. Let the family have the stomach.
>
> O. P. Curran, Manager

Mr. Curran's laconic and vivid tribute to the good faith of the New York Life is as true today as when it was made fifty years ago. But it requires a word of explanation.

The Company pays all policies of suicides when the act of self destruction occurs after the policy has been in force two years, except in five States. The laws of Missouri require that the claim must be paid no matter when the act takes place unless it can be proved in Court "that the insured contemplated suicide" at the time he took out his policy,—a somewhat difficult fact to establish. In their inscrutable wisdom the Legislatures of Colorado, Utah, North Dakota and Virginia appear, from their enactments, to be of the opinion that a policy-holder ought to be at liberty to commit suicide without penalty if he has paid his premiums for one year. In every case where the face of the policy is not paid because of suicide the premiums received by Nylic are returned to the policy-holder's estate.

But all these were minor incidents in comparison with two outstanding financial achievements of the period,—one on the part of the Company, the other on the part of the National Government. The one on the part of the Company was connected with the

payment of dividends. In order that the lay reader, who has not been trained in actuarial science, may get some conception of the complicated subject of dividends on life insurance policies it is desirable to consider the principles on which they are calculated.

Let us say that John Doe takes a policy for $5,000 on the Whole Life Plan at a premium of $150. In determining the premium the Company has to consider three elements,—the rate of mortality, the rate of interest that can be earned on invested assets and the expenses of management.

It does not assume as the basis of the premium the most favorable mortality it has experienced in the past, but a safe rate so that there may be a margin for such a contingency as an epidemic. The influenza epidemic in 1918-1919 cost the Company about $15,000,000.

As to the factor of interest it would be unwise to take the rate which the Company is receiving on invested assets after deducting taxes and investment expenses, since the rate of interest may not remain so high in the future. Accordingly the Company assumes a rate of interest which would be safe for at least a generation, bearing in mind that some of the policy contracts may possibly run for two generations.

The third element is the provision which must be made for the expense of conducting the affairs of the Company.

In order to meet contingencies, the Company, like all wise business organizations, does not distribute all its earnings in one year by the payment of dividends, but in prosperous years puts part of its earnings into a Surplus or Contingency Fund. It is this husbanding of the overpayments in the early years which creates the reserves which must be held by life insurance companies; for it is a fundamental principle of level pre-

mium life insurance that adequate reserves be held. The reserve may also be viewed as the Company's accrued liability and forms a basis for the cash surrender values allowed to the policy-holder.

The present writer is frequently asked, even by astute and experienced business men, why the life insurance companies maintain such a volume of assets, or reserves, and why they do not distribute them in the form of larger dividends or lower premiums to the policy-holders. The answer is,—these assets, or reserves, are necessary so that, together with interest and the premiums to be received in the future years by the Company, the Company may fulfill its present obligations and future liabilities to policy-holders. The assets earn interest. (The interest which the New York Life is earning for its policy-holders at the present writing is at the rate of about $80,000,000 annually.) The basic financial function of a well-managed life insurance company has nowhere been more clearly and concisely defined than by President Darwin P. Kingsley, of the New York Life. In an address which he made before the Finance Forum of the Y. M. C. A. of New York, in 1911, he said: "Life Insurance is a banker for millions of people—a banker who cannot be ruined through panic, but who allows every depositor to draw on him at any time to the extent of his cash credit." This cash credit is, except in the early years of a policy, the full reserve of the policy.

The annual returns to the policy-holder, based on the principles outlined above, is called his dividend. But it is not a dividend in the ordinary commercial sense in which that word is applied to the distribution of profits to stockholders of corporations. It is a return to him of that portion of his premium which it was subsequently found was not needed. These dividends,

or returns, normally increase from year to year. There are cases on record where a policy-holder, who has been in the Company for a considerable number of years, has received an annual dividend for a given year larger than his premium for that year, although it is true that there have been rare crises due to some special exigency, like the influenza epidemic of 1918 and 1919, when the losses were so great that the rate of dividends is temporarily decreased. This is a very general statement, as all insurance experts will appreciate, of the theory of dividends, but it is sufficient, perhaps, to explain to the layman the source of dividend payments.

When a mutual company is first established and its premium income is small it cannot afford to pay cash dividends. This, in common with all other wisely managed insurance companies, was the experience of Nylic. For the first twenty years of its existence it did not make its payments of dividends in cash, but in scrip. This scrip was simply a promise to pay bearing interest. From time to time Nylic redeemed portions of this outstanding scrip in cash. The most noteworthy event of the year, 1868, was the final redemption of all such outstanding scrip, and from that time to the present the Company has either paid its dividends in cash, or has deducted them from the amount of the premiums due, or has used them to increase the amount of insurance, or has allowed them to be left by the policy-holder on deposit with the Company at interest, as the policy-holder may have elected. At the same time Nylic inaugurated the policy of collecting all premiums in cash. By these two actions the Company placed its business on an all-cash basis.

While Nylic was thus taking steps to establish itself on full payments for value received the National

Government was struggling to put its indebtedness on a cash basis. The Company's annual report for the year 1868 showed that the securities owned by the Company had a market value of nearly $400,000 over their cost. This was considered to reflect so much credit on the care and sagacity of the Finance Committee that the Board of Trustees passed a special vote of thanks in their honor. The notable thing about this rise in value of the Company's securities was that nearly half of it was due to the increase in the market price of United States bonds. These bonds are now considered so gilt-edged and are in such demand even at a low rate of interest, that it is apt to be forgotten that just after the Civil War the credit of the United States Government was far from being what it is now.

War may be justified as a means of national defense and, as a last resort, for the maintenance of international justice and human rights. But in this day of the world there are few left who agree with the old Napoleonic school that war is a successful method of economic development. "The general conclusion," says a recent reviewer of the bibliography of war, "is, that however war may have worked as a selective agency in the development of superior races, the system of conscription, with its resultant economic repression, retards the progress of civilization, without bringing permanent profit to any."* As the four years of the World War left the finances of Europe in hopeless confusion, which ten years of work by experts has not yet succeeded in straightening out, so the four years of the Civil War terribly crippled the financial status of the United States. On July 1, 1866, the total interest-bearing debt of the United States was $2,332,331,208. On July 1, 1860, it was only $64,842,287.

*Article *War* in the International Encyclopedia.

Thus there had been an increase during the Civil War of over two and a quarter billions of dollars in the national debt. In addition there was the vast volume, amounting to four hundred million dollars of "greenbacks," or legal tender notes, which were simply unsecured promises to pay, or what would be called I O U's in ordinary private life. One immediate effect of the Legal Tender Act, by which the government "greenbacks" were floated, was to destroy our credit abroad. Stocks were sent home for sale. The English financial market was closed to a nation which had issued "fiat" money. No sales of bonds could be made in England until the war closed, and the amount of legal tender to be issued was finally fixed by facts. In August 1862 postage stamps and privately printed "shinplasters" were used in place of fractional specie currency, for specie currency had entirely disappeared.* There was a general feeling throughout the world that the United States could not long stagger under such a burden of debt. In 1867 a General Agent of the Company wrote that the fact that it owned so many United States bonds stood in the way of writing policies for large sums for wealthy foreigners. In addition to the doubt whether the government could ever pay the huge sums it had pledged, there was a very definite danger that financial heretics might persuade Congress to repudiate its gold promises and pay the government debts in "greenbacks," or fiat money. President Andrew Johnson has been commended in these pages. He must now be severely criticized. He was not a financier and, on the ground that the bond-holders had already been amply repaid for their investment, made the dangerous proposal that after 1868 the semi-annual payments of the six per cent interest

*Professor William G. Sumner, *The History of American Currency;* Alexander Dana Noyes, *Forty Years of American Finance.*

should be considered as installment payments on the face of the bonds which would thus be retired in about sixteen years. Fortunately his Secretary of the Treasury, Mr. Hugh McCulloch, who, as has already been recorded, was once an agent of the New York Life in Indiana, insisted that the principal and interest of the bonds should be paid in coin. His views prevailed. Although the credit of the Government was again endangered in 1876 by the Greenback Party, led by the great New York merchant and manufacturer, Peter Cooper, and again in 1896, by the honest but misguided heretics, led by William Jennings Bryan, who proposed the substitution of silver for the gold standard, its promises were maintained. Economists are agreed that the gold standard is variable and in some respects unsatisfactory, but until some other and more scientific basis of Government paper is discovered, or invented, Uncle Sam's promises to pay are now and will continue to be "as good as gold." As all private securities and municipal and State bonds which the New York Life owns are issued on the same basis as Government bonds, its policy-holders may rest easy in the confident assurance that its promises to pay are also "as good as gold." Thus the faith of the Company in the credit of the Government which led to a substantial profit four years after the end of the Civil War, was justified.

It was in the midst of such vicissitudes that the Company passed through the reconstruction period and found itself at the end of its third decade in a stronger position than ever. In 1873 Policy Number 100,000 was issued and the event was made the occasion of a special celebration. At the close of the year 1874, the Company had 43,398 policies in force amounting to considerably more than one hundred million dollars of insurance, and its net assets had

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reached the handsome sum of twenty-six and a quarter millions of dollars. If the officers believed they were through with the worst of their troubles, there were still some unpleasant surprises in store for them.

CHAPTER VI

Panic and Prosperity

THE unpleasant surprises alluded to at the close of the last chapter came in the form of legislative attacks upon the business of life insurance. The animosity of the Legislature is explicable, if it was not justifiable.

To understand the occasion of this animosity it is necessary to pass in review the general economic condition of the country at the time, for politics and economics are closely interrelated and mutually interacting, although there was a time when historians paid little attention to the force of economic and social currents in the stream of history. Like Herodotus, Thucydides and Froissart the old school of historical writers supposed their chief function to be the recording of the chronicles of Kings, parliaments and armies. Even so modern and forward-looking a commentator on human progress as Lord Macaulay, in his historical essays, scarcely mentions his contemporary, George Stephenson, the father of the locomotive and the steam railway. Yet Stephenson's achievements have had a greater influence upon the history of England during the last hundred years than those of many prime ministers about whom volumes have been written. As in England so in the United States the extension of steam railway transportation is the key* to both the

*Morison's *Oxford History of the United States;* James Ford Rhodes' *History of the United States.*

political and the economic development of the nation in the period with which this chapter is concerned.

At the close of the Civil War there were 35,000 miles of steam railway in the United States. By 1875 this mileage had increased to about 90,000. So rapid an expansion in the short space of ten years was naturally accompanied by all the pains and diseases of an abnormally rapid growth of the body politic. Social betterment and political corruption, financial panic and industrial prosperity walked hand in hand in an era of feverish railway building and speculation. No one can read the financial and economic history of the United States for the decade following the Civil War without being appalled at the corruption and heresies that permeated the business life of the country. One of the most conservative and judicious of American financial commentators has this to say of the period between 1865 and 1880:

> Socially, financially, and politically, it stands out quite apart from any other decade of the century. It comprised, in the United States, such a succession of episodes as the plundering reign of the Tweed cabal in New York City; the impeachment of President Johnson for purposes of political revenge; the infamous gold-market conspiracy of 1869, into which the ringleaders very nearly dragged the Federal Administration; the rise of vulgar and dishonest railway speculators to public eminence; the notorious corruption of the courts by such adventurers; scandal fixed upon Congress by the *Crédit Mobilier* disclosures and on the administration by the Belknap impeachment trial. Moral sense seemed for a time to have deteriorated in the whole community; it was a sorry audience, at Washington or elsewhere, to which to address appeals for economy, retrenchment, and

> rigid preservation of the public faith. The Government's financial recklessness was readily imitated by the community at large; debt was the order of the day in the affairs of both. As the period approached its culmination, foreign trade reflected the nature of the situation. Merchandise imports in the fiscal year 1871 rose $84,000,000 over 1870; in 1872 they increased $106,000,000 over 1871. This movement was the familiar warning of an approaching crash; but the warning fell on deaf ears, as it usually does. In 1873 the house of cards collapsed. The panic of 1873 left the country's financial and commercial structure almost a ruin. It had, however, several ulterior results so valuable that it is now not wholly unreasonable to describe the wreck of credit as a blessing in disguise.*

An equally gloomy view of this era is taken by the wisest and most experienced of American historians.†

> The depression following the panic of 1873 was the most severe of any since the Civil War. The contemporary material and the recollections of business men give it a unique character. The years 1874, 1875, 1876 presented some alleviation. The rebound from the stringency, the actual scarcity, of money in 1873 gave to 1874 a hope that the financial discipline would not long endure. During that and the following year, expectation was rife that some measure of inflation of the currency would be enacted by Congress and

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*Noyes' *Forty Years of American Finance.*

†James Ford Rhodes, Vol. VIII, pp. 104-5. Mr. Rhodes was a successful iron and steel master before he became a historian. He acquired a competence in business and thereafter devoted his well earned leisure to a scholarly study and socio-economic exposition of American history. His history of the United States in nine volumes covering the period from the Missouri compromise of 1850 to the close of the Roosevelt administration in 1909 is a fascinating work.

this expectation served to inculcate the belief that the depression was not hopeless. In 1876 the Centennial Exhibition and the presidential campaign turned men's minds from their own distress. The visitors to the Exhibition were from all parts who had scraped together enough money to take themselves and their families thither and, enjoying a wonderful display, forgot their trials. The presidential election too was absorbing. Masses of people believed that either Democratic or Republican success was necessary for the salvation of the country and, "as the country was in danger and must be saved," what mattered the temporary commercial depression? But after the presidential election and the almost contemporary closing of the world's fair in 1876, there was no mitigation of the terrible distress. Masses of laborers were out of employment being severely put to it to get bread for their wives, children and selves. Merchants and manufacturers had difficulty in making both ends meet; many failed; one failure led to another and financial and commercial solvency seemed to be a dream of the past. There was no relief in sight. The European countries were alike suffering and had not the power, if they had the desire to purchase American securities and thus give a lift to affairs in the United States. The days from November 1876 to the spring of 1879 were dreary and apparently there was not a ray of light. Failures and suspensions of payment of manufacturers and traders, receiverships of railroads were the rule. Croakers predicted universal bankruptcy and it was difficult to traverse such a prediction. A disputed presidency and the apparent eagerness of the outcasts for a commotion added real terror to the situation. Soon after the settlement of the disputed presidency came the railroad strike and riots of 1877.

> Little wonder was it that a contemporary chronicler called the riots "a wide-spread rising against society itself."

And even a later writer, an expert on insurance,* paints a dark picture of the economic convulsion during the decade of 1870-1880.

> The nine years immediately following the First Convention [1871] were the most trying period in the history of American life insurance. Forty-six life companies, of which twenty-seven were New York's own companies, ceased doing business. Thirty-two failed outright with total losses of thirty-five million dollars to policy-holders. Cash liabilities were forty-six million; cash dividends were only ten and one-half million; and receivership expenses, exclusive of real estate expenses, were over 20% of the total receipts. The financial panic of 1873 marked the culmination of the over-trading, over-building and over-capitalization which resulted naturally from the inflation of the currency during the Civil War. Life Insurance had grown more rapidly than any other business of equal magnitude; its failures and losses were proportionately much less. Defaulting railroad companies and closed savings banks suffered twice as severely as life companies.

Perhaps the most spectacular failure during this panicky period was that of Messrs. Jay Cooke and Company, which burst upon the country like a thunderclap. Jay Cooke was the J. Pierpont Morgan of his day. During the Civil War he was the chief financial agent of the Government and had performed a most useful service in the sale and distribution of Govern-

*Charles R. Detrick, Commissioner of Insurance and Banking of California, *Address at Twenty-second Annual Convention of the Association of Life Insurance Presidents,* December 14, 1928.

ment bonds, without which the Civil War could never have been carried on. The first announcement that his firm had suspended payment "was received with almost derisive incredulity on the part of the mercantile public. But when it was known to be an actual fact, the Stock Exchange was seized with frenzy. . . . The panic terror in Wall Street caused general distrust throughout the city. . . . The week that followed was one of intense gloom."* Jay Cooke, unlike Jay Gould, was a man of constructive vision and his failure was due to over-confidence in the future development of the country (which time has fully justified) and therefore to over-investment in railway building. It should be added that all claims against him were eventually paid and no obloquy attaches to his name.

Due partly to the vitality of youth, partly to the hope, courage and determination of American business men, and partly to the tonic effect of its vast natural resources the Nation slowly recovered its financial strength. That the disease was deep-seated is shown by the recurring attacks which manifested themselves in the industrial depressions and financial panics of 1877, 1884, 1895, 1897 and 1907. These panics came to an end only when, after long efforts by the leaders of both the dominant political parties, the Federal Reserve system of banking was established.

Through these financial epidemics Nylic passed unscathed. It never suspended payment or failed to meet its obligations. It has a tradition in this respect both to be proud of and to live up to. It is a notable and significant fact that in the voluminous minutes of the Board of Trustees of the New York Life, covering the period from 1873 to 1880, there are almost no allu-

*James Ford Rhodes.

sions to the mercantile distress of the times. There are references to natural catastrophes like the Chicago fire and political disasters like the corruption of the Tweed Ring, but the only comment on the business depression of the country is found in a resolution unanimously adopted on May 9, 1883. This resolution declared that on account of "the great decline in the rate of interest" capitalists were becoming deeply interested "in Life Insurance as an investment" and therefore the executive officers were authorized to increase the amount risked upon a single life from $50,000 to $75,000. For the same reason in December, 1884, this limit was raised to $100,000. When Nylic was founded in 1845 the limit of risk on an individual life was $5,000; at this writing (1929) it is $300,000.

It may be asked how it was that Nylic steadily grew and prospered at a time when the whole American business world was suffering from a disastrous depression such as it never before experienced and is never again—at least as far as we can see into the future—likely to have to endure. The answer is twofold. First: the Finance Committeee of the New York Life was then, as it always has been since, composed of some of the ablest, wisest and most conservative business men of the community. The investments of the Company were made with the utmost scrutiny and caution. Second: the somber picture of economic disturbances drawn by the commentators quoted at the beginning of this chapter must be regarded in their true perspective. If in matters of sentiment "distance lends enchantment to the view," in matters of history distance brings out more sharply than they were seen at the time, the economic perils which threatened any given period of the past. While part of the Nation in the '70s was suffering the throes of bankruptcy from over-

speculation, another and much larger part was pushing ahead along the road of constructive prosperity. Pioneer farmers were developing the great wheat fields of Kansas, Nebraska and the Northwest; productive factories were being built and equipped; and the steam railway which on the one hand led to the failure of its too optimistic promoters, on the other, was carrying an efficient means of transportation into every nook and corner of the country. Nylic escaped the depression of the time by scrupulously avoiding speculation; it shared in the prosperity of the time by devoting the increasing funds entrusted to it by its policy-holders to the upbuilding of profitable industry. It is pursuing the same principles of investment today, but these principles were perhaps never more signally justified than in the decade which Mr. Rhodes refers to as having been characterized by "a wide-spread rising against society itself."

The foregoing somewhat long historical digression will enable the reader to understand the animus of the legislative attacks upon life insurance which began in the '70s and continued with more or less virulence until the passage of the Armstrong Law in 1906. Some of the attacks were due to the general corruption of the times which had corroded lawmakers as well as business men, for human nature is much the same in all professions and walks of life. The rumors that blackmail was being levied by the Insurance Department of the State of New York became so definite that a law was passed for the express purpose of preventing extortion on the part of the Department. This law required that charges for examinations of Life Insurance Companies should be audited by the State Comptroller and paid out of the State Treasury, which was to be reimbursed by the examined Com-

panies. The Insurance Commissioner of that day disobeyed the law on the ground that there was no money for the purpose in the State Treasury, and continued to demand payments from the Companies. The Governor of the State recommended his removal, but he was sustained in the Senate by a small majority. This contest led the Governor, in 1879, to recommend the abolition of the Insurance Department and the replacement of Insurance Supervision with the Comptroller, but the recommendation was not adopted. This legislative corruption was non-partisan,—or rather bi-partisan. As late as 1900, when Theodore Roosevelt was Governor of the State of New York, he refused to reappoint "Lou" Payne Superintendent of Insurance on the ground that his standards of conducting the office were not sufficiently scrupulous. This refusal led to a break with "Boss" Platt's machine, which very nearly resulted in Roosevelt's being driven from public life by those who were after the spoils of political power. These incidents perhaps sufficiently explain the corrupt motive of the legislative animosity towards the Insurance Companies.

But there was another honest although none the less mistaken motive. The whole financial world was honey-combed with suspicion, distrust and demoralization. Somebody had to be the scapegoat, and as some of the bankrupt insurance companies had been grossly mismanaged, all of them, even those who were among the most honorable financial organizations of the country, were indiscriminately attacked. To subject *all* insurance companies to a capital operation because *some* insurance companies are corrupt is as foolish as it would be to compel all men to undergo an operation for appendicitis because some men are suffering from a suppurated appendix. But waves of social reform are

usually the result of emotional outbursts and are rarely controlled by reason. The public puts up with bad conditions until they become intolerable and then strikes out blindly, its blows falling, like the rain, upon the just and the unjust alike. The rhyme by the father of the English novel, Henry Fielding, is apropos:

> Lo, when two dogs are fighting in the streets
> And with a third dog one of the two dogs meets;
> With angry teeth he bites him to the bone
> And this dog smarts for what that dog has done.

The New York Life was the third and innocent dog in the fight between the legislature and the mis-managed insurance companies. Its executives were summoned to Albany and subjected to inquisitorial and sometimes thoroughly unjust examination. In any criticism of legislators and government executives, however, it should always be remembered that they are at least as honest as the society from which they spring. In a democracy the guilt of legislative corruption really rests upon the shoulders of the electorate. Moreover, sensation-mongers are found in private life as well as in assembly halls, and unscrupulous newspapers took every advantage of the public excitement. In 1877 the New York *Herald* reported that a shortage had been discovered in the accounts of the New York Life and the possibility of a receiver was hinted at. The Deputy Superintendent of Insurance, Mr. John A. McCall, later Superintendent of Insurance, and still later, President of the New York Life, vigorously denied these rumors. After an exhaustive examination of the affairs of the Company, in which he engaged, "the services of forty-one gentlemen of character, standing and experience," Mr. McCall, in October, 1877, publicly announced that "judged by the hardest test that

could be applied under the law . . . the Superintendent has no hesitation in stating that this great corporation [the New York Life] is entitled to public confidence, and its officers to his warmest commendation." Mr. McCall was a clear-sighted man, but neither he nor anyone else could peer far enough into the future to imagine that fifteen years later he was to become the honored president of "this great corporation." The public took him at his word for in 1878, the year following the "intensified hard times"* of 1877 with its "Molly Maguire" riots and the bloody battles between the militia and railroad strikers, when most financial institutions were feeling the effects of dangerous depression, Nylic increased both its assets and its surplus by substantial amounts. And in 1884 the contrast between the management of the New York Life and the general character of the financial world was still more pronounced. Alexander D. Noyes thus describes that panic year:

> The manner in which the producing and mercantile communities endured the money-market strain proved pretty conclusively two facts: first, that the liquidating process, during the two preceding years, had been thorough; and second, that underneath the crumbling structure of speculation was a firm foundation of genuine and increased wealth. The stock markets, however, passed in May, 1884, through an acute and very alarming convulsion; led up to by the commercial depression, the flight of foreign capital, and the disorderly Treasury finances, and immediately precipitated by the discovery of several vast financial frauds. Looking at 1884 in retrospect, it would seem that the financial community for a day or two lost faith entirely in the honesty and credit

*Rhodes.

of its members. It is no unusual incident for a group of swindlers and defaulters, who have escaped detection while their speculative "margins" could be sustained, to be exposed with merciless publicity when the markets break suddenly away from them, and the falling markets of the season found plenty of such ventures ripe for destruction. But the 1884 disclosures were of a peculiar order. The theft of $3,185,000 of a New York City bank's securities by its president, without the least misgiving on the part of its officers or directors; the failure of a second-rate Wall Street firm for $16,000,000, with assets of $67,000; the ruin of a strong national bank through its president's connection with this firm, despite his knowledge of its fraudulent representations; the suspension of another well-known institution through the notorious speculations of its president,—these were disquieting developments enough, had they come separately and singly. But when it is considered that the performances of John C. Eno, Grant & Ward, the Marine Bank, and the Metropolitan Bank, all came to public knowledge within a single week and in the same community, the shock to financial confidence is not hard to understand.

Yet in 1884 Nylic reached its high water mark. In that year its record of new business written, insurance in force and invested assets was the greatest of the forty years of its existence.

The most striking impressions that the present writer has received from his study of this decade are, first, that Nylic notably preserved its honor in a widespread atmosphere of dishonor, and, second, that there has been a remarkable improvement in the business ethics of American society during the half century which has elapsed since the Centennial year of 1876. In a recent

public address* Mr. Owen D. Young, chairman of the General Electric Company and one of the experts called in by the United States Government to adjust the terms of the German reparations, made some pertinent remarks upon the moral qualities of modern "big business":

> During the past thirty years the moral standards of business have been advanced. A certain amount of astuteness and cleverness and sharpness of the earlier day has disappeared. They would not work very well in large business. A storekeeper may short-measure or short-weigh his customer and make a little by that method. He may even induce his clerk to short-weigh or short-measure, but he can not organize a vast department store on that basis. Either his employees are honest people who would refuse to do it, or he would soon have as employees a vast organization of crooks who would beat each other and soon ruin the proprietor himself. Big business does not lend itself readily to dishonesty and crookedness. Great organizations of human beings can not be built on that theory. . . .
>
> As time goes on, I feel that the right in business will more and more prevail. The larger business becomes, the more scrupulously careful the administrators of it will be. We have had much difficulty with questions of technical competence and moral responsibility in the offices of aldermen, but we have had practically none in the great office of President of the United States. Somehow as responsibility increases, men are found big enough to meet adequately the great questions of right and wrong which come to them. So I

*Delivered from the pulpit of the Park Avenue Baptist Church, New York, and reprinted in the columns of the excellent weekly *Commerce and Finance.*

welcome big business and big responsibility, not in the fear that it will make business wrong, but in the hope and belief that it will make business right.

Pessimists are fond of gloomily pointing out the present-day degeneration of American morals. Doubtless there is room for improvement, but even a cursory survey of the financial history of the United States gives little ground for hopelessness and a very reasonable basis for confidence and encouragement.

Joel Chandler Harris, in the metrical version of his classic "Uncle Remus" stories, describes the plight of the animals during a terrible drought. What they lacked, he says:

Wuz good clean water when de branch run dry,
Kaze de river wuz muddy when low er high.
Dey mought 'a' got well by sellin' corn
But de man what dugged um ain't been born;
So dey rocked along f'um day to day
An' hoed der corn and saved der hay.

So the New York Life in the storm and stress of panic, failure and legislative suspicion, and in the drought of public confidence, kept "rocking along," hoeing its corn and saving its hay,—in a word doing its daily work unterrified and unashamed. If there is a moral hidden away here the reader must dig it out for himself. At all events it is clear from the minute books of the Board of Trustees that what concerned them most was not complaints of "hard times" but the honorable performance of the humdrum duties of each day. The success of this method of doing business may be measured by the report of the Company to the Superintendent of Insurance at the close of the decade. During the year 1884 its income was nearly

fourteen millions of dollars; its payments to policyholders nearly seven millions; its new insurance nearly sixty-two millions; its insurance in force considerably over two hundred millions; and its net assets, earning interest at the rate of 5.32 per cent, more than fifty-six millions. There had not been a year of the Company's existence when the net assets had not increased and they were now over three thousand times greater than when President Ogden and his associates embarked in 1845 on their great adventure of exploration upon an almost uncharted sea. It is not surprising that the Trustees looked for new worlds to conquer and were filled with the desire to carry the benefits of their great institution across the Atlantic and Pacific to the peoples of Europe, Asia and Australia.

CHAPTER VII

World Expansion

In 1845 when Nylic was founded, America was beginning to "feel its oats." Two hundred years earlier pioneers, refugees and reformers had struggled across the Atlantic to found a new civilization, and now their descendants began to wish to carry back the fruits of that civilization, not only to their fatherlands, but to the uttermost parts of the earth. It was in real truth a missionary movement, not, however, in the limited and pietistic sense of that word. There are missionaries of economics as well as of religion, and there began in the early part of the nineteenth century a great outpouring of economic or mercantile envoys from the Atlantic seaboard of the United States to the other side of the world. Professor S. E. Morison, whose work has been referred to more than once in previous chapters, describes the beginning of this commercial crusade in his volume "The Maritime History of Massachusetts,"—a book well worth reading by those who desire to understand the influence of Americans on world economics which culminated in so dramatic a fashion during the World War of 1914-18. The far-seeing Americans who began this world-wide adventure supposed that they were merely seeking their own advancement in prosperity, but they were really—although unconsciously—carrying the principles of American industry and finance all over the world. The efficient machine which they used for this purpose was

the American sailing ship. In the first half of the nineteenth century the clipper ship performed in international relations the functions which the submarine cable and the radio perform today. Every knot that could be added to the sailing speed of these clipper ships was an important contribution to the progress of both international trade and international politics. One of the outstanding figures in this great economic movement was Donald McKay,* who, in 1845, the year when Nylic was founded, established in East Boston a shipyard where vessels were constructed that became famous throughout the world. "Besides having built the largest sailing ship of his time McKay could claim the fastest. His 'Lightning' ran 436 nautical miles in twenty-four hours, and his 'James Baines' logged twenty-one knots, achievements of which no steamer of the '50s was capable."†

The career of the New York Life is singularly interwoven with the sailing-ship era. The New York Life was at first named the "Nautilus Insurance Company" for its founders proposed to write marine as well as life insurance, since marine insurance was then regarded as peculiarly vital to the national welfare. Not only was the Company organized in the year when Donald McKay began his notable work as an American shipbuilder, but when the New York Life was seven years old American pioneering on the high seas had its climax in the opening of Japan to the commerce of the world, an important, perhaps even a paramount, factor in the ultimate world expansion of the Company. The entrance of Western civilization into Japan was the germ from which John Hay's later and memor-

**Some Famous Sailing Ships and Their Builder, Donald McKay,* by Richard McKay; G. P. Putnam's Sons, New York.

†*The London Times Literary Supplement,* March 28, 1929.

able "Open Door" policy in the Orient grew. That germ, or seed, was planted by an earlier American statesman, President Millard Fillmore, who, if not among our greatest presidents, at least deserves high honor for one historical and far-reaching achievement. In 1852 President Fillmore sent a squadron of warships, under the command of Commodore Perry, to induce Japan to enter into political and commercial relations with the United States and thus with Western civilization in general. Perry concluded an amicable treaty with Japan which later enabled Nylic to make that country the headquarters of its large Asiatic business. The American treaty was followed by one between Japan and Great Britain. This was the auspicious beginning of that vast commerce which the statesmen of Japan and China as well as the statesmen of Great Britain and the United States now recognize as of incalculable benefit to those four nations. It was a happy turn of the wheel of history which thus enabled Commodore Matthew Perry to perform a service for Great Britain, over whom his elder brother, Oliver Perry, had won a decisive victory on Lake Erie during the War of 1812,—a victory signalized by Oliver Perry in the famous epigram, "We have met the enemy and they are ours."

The founders and directors of the New York Life, like all other energetic and properly ambitious American business men of their time, were captivated by this vision of international commerce. They began to turn their eyes to other countries than their own. Doubtless their motives were mixed, but then, so are the motives of every individual and every human organization. Even missionary enterprises of the Church have been stimulated by two quite distinguishable desires,—one to build up the power and glory of the in-

stitution and one to carry its blessings to more benighted regions. In the minutes of the Board for January 25, 1862, there appears a long report on the accomplishments and condition of the New York Life, presented to the Board and signed by the president of the Company, Morris Franklin. So great was the impression made by this report that the Board unanimously ordered it to be printed. It is significant that the report was written in the midst of the Civil War; and the language of President Franklin is here quoted because it foreshadows the motive which led the Company to enter the European field:

> In thus reviewing the transactions of the year it is encouraging to know that notwithstanding the gloom with which business generally has been surrounded and the sad reverses which have befallen so many in their mercantile pursuits, Life Insurance has secured a most favorable lodgment in the public mind and the officers rejoice in knowing, and they believe it will generally gratify the Trustees to be informed, that many of the Policies which have been paid during the year have been the means of saving a considerable number of families from poverty and consequent distress. . . . The officers are inspired with renewed courage to redouble their efforts in endeavoring to spread the blessings of Life Insurance more generally throughout the land and they respectfully ask the cordial and active coöperation of the Board in a work so signally blessed to the insurer and the insured.

It is quite apparent from this minute of the Board that the Trustees believed they had a gospel; and who shall say, in view of the recent announcement of an

JOHN A. MCCALL
Fifth President
February 12, 1892—December 30, 1905

ex-President* of the United States, that they were not right? They also probably had in the back of their minds the desire to create a great and splendid institution; and what can be more commendable if the purpose of such an institution, purged, as far as it is possible to do so in mundane activities, from selfishness and meanness, is to benefit mankind?

The first definite allusion in records of the Company to the possibility of foreign expansion appears in a report of President Franklin on the state of the Company, presented to the Board of Trustees at the annual meeting of January 28, 1863. That report closes with an expression of the pious hope that "we shall press forward in the prosecution of our work until the blessings of life insurance shall be widely disseminated not only throughout our land but . . . from sea to sea and . . . to the ends of the earth."

The next allusion in the minutes of the Board appears under the date of July 13, 1870, when a leave of absence was granted to Vice President Beers for the purpose of "making a sea voyage to Europe . . . to devote his services to the interests of the Company in connection with its foreign agencies." As a result of this "sea voyage" Mr. Harry S. Homans was appointed General Agent of the Kingdom of Great Britain and the Continent of Europe on March 26th of the same year, and filled that office until his death in 1889, when he was succeeded by Mr. W. E. Ingersoll who later became a vice president of the Company. A rather odd and, as it turned out, fortunate incident gave Nylic an auspicious start in England. A policy-holder in London, who had been insured in August, 1870, under Mr. Homans' régime, died suddenly the following De-

*"Life Insurance is the most effective instrumentality for the promotion of industry, saving, and character ever devised." Calvin Coolidge in a letter to Darwin P. Kingsley, April 4, 1929.

cember. The coroner's inquest found that he died "accidentally by misadventure and misfortune" from taking an over-dose of a properly prescribed medicine containing prussic acid. The claim was not contested by the Company, although there was some natural suspicion of suicide, and it was paid in London, on January 19, 1871. "Such expedition was something new in life insurance in England, and the newspapers published full accounts of it under the head of 'Yankee Enterprise.' "* From this time on the business of the Company in Great Britain, Europe and Asia grew steadily until, when the World War broke out in 1914, it had reached really vast proportions.

In 1884 the Company purchased a building in Paris for its office; in 1885 it erected a building in Berlin; in 1887, one in Vienna; in 1891, one in Amsterdam; and in 1894, one in Budapest. All these buildings were large, commodious and of an attractive architectural design which gave, not only to their immediate communities but throughout Europe, an impression of solidity and permanency. In the year 1900, the Municipality of Paris presented a diploma to the Company in recognition of the erection of the New York Life building in the French capital, the beauty of which city has been so much enhanced by the careful architectural supervision of the governmental authorities. The diploma stated that the building, which was on the *Boulevard des Italiens,* was a distinctive addition to the architecture of the City, and for this reason the City granted a reduction of taxes on the building for the ensuing ten years.

The European business of the Company, both on the continent and in England, grew to such magnitude, and the intricacies of languages and governmental regula-

*Hudnut's *Semi-Centennial History.*

tions became so complex and varied that the Company found it necessary to establish a fully equipped Office of Issue which would attend to all the detailed transactions of the Company in Europe. Accordingly, with the approval of the Board of Directors, in the year 1892, President McCall established such an Office of Issue in Paris, from which the first policy was issued on January 1, 1893. This establishment, or headquarters, was manned by a full complement of officers headed by a Director General for Europe and including an actuary, a medical director and a comptroller—all of whom were elected by the Board of Directors, or appointed by the President of the Company in New York. Under the Board and the President they had the full authority and responsibility of an independent and affiliated insurance company,—a kind of *imperium in imperio*. This Office of Issue was authorized to pass on all risks and issues of policies and to adjudicate all death claims. The Director General considered all questions of the financial investments of the Company for various countries in Europe and made his recommendations, which were usually adopted, to the Home Office. Under this plan of organization the Paris office practically did everything except buy or sell securities, which function, by a law of the State of New York, was invested in the Finance Committee of the Company at the Home Office. The Paris office was, of course, in constant communication with the Home Office by cable and letter, and a monthly report of all its transactions was made to the Home Office and included in the Company's published annual statement.

In entering Europe and Asia the Directors and the executive officers of the New York Life were a hundred years ahead of their times.* They believed that civiliza-

*This is the opinion of President Kingsley expressed in a conversation with the writer.

tion had reached a point when international comity and international justice would welcome and protect any well designed effort to promote the general welfare. In 1870 they could not foresee and they did not imagine that early in the coming century international jealousies would become so furious that all the nations of the world, civilized and semi-civilized, would be engaged in the savage business of cutting their neighbors' throats. But the Company which entered Europe with so much enthusiasm and exhilaration in the '70s was not long engaged in the work of expansion before it discovered that human jealousy and calumny is as wide-spread as human life. In the Company's archives are some cumbrous files of its foreign records which fill a shelf of forty linear feet and which contain voluminous correspondence, newspaper clippings and other documents full of interest to the student of the conflicting motives in human nature.

Take the French files, for instance. It is no reflection upon the present friendly attitude of the French and American people to point out that forty years ago the New York Life found itself constantly meeting with unexpected antagonism as its business grew in France. While it steadily gained the confidence of its French policy-holders on one hand, on the other, it aroused the suspicion and opposition of French insurance companies. French pride resented the claim that modern life insurance is of Anglo-American origin. A French newspaper in 1887 published a long and not uninteresting article to prove that life insurance as it is now understood was established in France long before it appeared in England. "It is said," remarks the writer of this article, "that England has led us in the way of life insurance. But the first society which operated in a practical form, *l'Amicable,*

goes back to 1706." The *Compagnie Royale* for the writing of life insurance, continues this article, was founded by royal decree in 1788 in Paris. But the writer admits that corporate life insurance was destroyed by the iconoclasts of the French Revolution, thus antedating by more than a century the wild attitude of the Russian Soviet which destroyed life insurance in that unhappy country after the World War in December, 1918. When the French Republic was later established on sure foundations the business of life insurance was taken up again, and there finally grew up a spirit of vigorous competition between the American and the native companies doing business in France. French insurance journals were established, some defending the American companies, some attacking them. There may be found in the French files of the New York Life an interesting opinion by a "French Barrister at the Court of Appeal of Paris" who had been consulted in 1891 as to the wisdom of the Company's bringing a libel suit against one of these insurance journals. A brief extract of this legal opinion will probably interest the reader:

> The articles published by the paper, *le Conseiller des Assurances* do certainly seem to us to contain, whether as regards the Company, or its President, Mr. Beers, statements of a libelous character, that is to say derogatory to the honor or reputation of the party attacked. We will mention among others the following passages: "the New York Life is a real den of thieves *(forêt de Bondy)*; the officers plunder, steal, gamble, enrich themselves unblushingly, without shame, without fear of the police and in defiance to law; Mr. Beers takes all these scandalous doings under the cover of his own personality."

This French barrister, although personally denouncing the viciousness of these attacks, advised that under the "French law it would be necessary to produce in court an official document refuting the allegations" and that it would be impossible to procure from America such a document in time to make it available. He did, however, recommend that "when the Superintendent's report [referred to in Chapter VI] and the decision of the New York Court have been published the Company will be able to use these documents, if favorable, in any answer which can be presented to the libeling paper and which that paper conformably to Article 13 of the law of 1881 will be compelled to insert. No limit of time is fixed for the exercise of this right of reply."

This incident is perhaps more sensational than the average, but it gives a not unreasonable impression of some of the difficulties which in those days an American financial organization had to deal with in doing a business on a grand and competitive scale in Europe. In fact these difficulties grew so steadily that on assuming the presidency of the Company in 1892, Mr. John A. McCall visited Europe and on his return reported to the Trustees that if the question of doing business in foreign countries had come to him as an original proposition he might not have favored it, but in view of the obligations which had been entered into abroad he believed it wise to continue the business with the hope that the difficulties might be mastered. And two years later, in 1894, Mr. Ingersoll, in a letter written to President McCall, said: "It has been mentioned to me several times that the general impression prevails that the European business is a burden on the Home Office."

An idea of what this burden was may be gleaned

from the experience of the Company with the government of Prussia. That government, probably prompted by the jealous antagonism of its domestic insurance companies, forced the New York Life, as well as other American companies, to give up their concessions for doing business in Prussia by imposing regulations to which it was impossible to conform. In the early part of President McCall's administration Vice President Perkins and Actuary Weeks, after a year's negotiation, persuaded the Prussian government to send a royal commission of three distinguished government officials to the Home Office in New York to investigate the affairs of the New York Life. The executives and heads of departments in the Home Office were directed to give these royal commissioners access to every book, paper and other source of information which could aid them in their work. The commission made an exhaustive examination, returned to Prussia, and recommended that the Company be readmitted to do business in that Kingdom which, at that time, virtually meant the German Empire. In commenting upon this perplexing episode Mr. McCall said:

> In Berlin the Imperial Secretary of Foreign Affairs, Count von Bülow, has shown an earnest desire to promote a good feeling between the United States and Germany, and on the insurance and other questions pending between the countries he has exhibited the utmost good will toward the United States. . . . This is the first instance in which such a commission has ever been sent to the United States in behalf of a foreign government, and it contains a suggestion with regard to commercial questions that arise between governments so far-reaching that the President of the United States [Mr. McKinley] quickly recognized the possible

> significance of it and repeatedly expressed his deep interest in the issue of the commission's work. I believe that the precedent thus established in the action of the Prussian government will show the way to a better method of settling all commercial differences and in securing additional and valuable privileges for American business interests the world over.

Thus Mr. McCall foreshadowed, without foreseeing, the work of the American commission headed by Mr. Owen D. Young, which at this writing (May, 1929) is endeavoring amicably to settle some serious differences of opinion regarding the German reparations growing out of the World War.

The United States itself is not free from the blame of harassing foreign companies endeavoring to transact their business within our borders. In the very year when Mr. McCall was conducting his successful negotiations with Prussia the States of Iowa and Kansas passed laws imposing greater taxes upon foreign insurance companies than domestic companies were required to pay. Of this discriminatory legislation Mr. McCall expressed his vigorous condemnation:

> I cannot understand the discrimination made against English companies in Iowa and Kansas, for example, where it is proposed to tax them out of existence. If they want to drive them out of the United States because they are "foreigners" the result cannot but be disastrous to the American companies doing business in Europe. It will affect, too, other kinds of business as well. If the records in the United States showed that the British companies were not prompt in paying claims, or were not law-abiding in every respect, there might be some justification for what has been done, but the contrary is true. As we are largely interested,

> and as we are advocates of fair play in competition, you may count on our Company as opposed to the tax laws of Iowa and Kansas in their discrimination against the English companies.

Mr. McCall was evidently familiar with the scriptural advice to the critic to consider the beam in his own eye before he complains of the mote in his brother's. Moreover, his philosophy of international relations in commerce is as sound today as it was when he gave expression to it thirty years ago.

But these international irritations in foreign business did not dampen the enthusiasm of the officers of the Company who were actuated by a large vision in going to foreign lands. That vision is expressed in an address made by George W. Perkins, then Vice President of the New York Life, on the occasion of the celebration of the sixtieth anniversary of the Company on May 26, 1905. Said Mr. Perkins at the beginning of his address:

> To attempt a review of the work of the New York Life Insurance Company would be to attempt a review of the progress of the world during the last half century; for one is safely within bounds in saying that our great Company has, in several notable respects, been a leader in the most potent influences that have been working for the betterment of humanity.
>
> In society our Company has worked for better homes, better and higher ideals in those homes, better and higher civilization generally.
>
> In business it has stood for broad, honest, straightforward methods; for thorough and systematic organization of the largest possible number of individuals, working through one central organization, avoiding friction, eliminating waste, and combining in the most effective manner the

efforts of all for the good end desired by all.

In statesmanship we stand as a link between the nations, gathering together into one great co-operative society the best, the healthiest, the most unselfish men of all nations. We stand for peace and good will among men, not of one country but of all countries. Our course has been so fair and open that, as the years have rolled by and as all great nations have come to understand our aims and methods, they have vied with one another in helping us to build our Company stronger, better, greater, until none of them are our enemies, all of them are our friends, and there is no government to which our representatives are not accredited and that, too, on the most friendly possible terms. We have been the pioneers in the world-wide movement for publicity in the great concerns which are in a very true and practical sense owned by the people. . . .

We believe that we have license to organize, centralize, systematize a great world-wide business.

Notwithstanding Mr. Perkins' optimism the growing difficulties in foreign countries would not down. In 1894 a special Committee of the insurance officials of seven States, called by President McCall for the purpose of inspecting the condition and operations of the New York Life, heartily commended the character, honor and solidity of the Company, but expressed some doubt of the usefulness of its foreign business on account of the "widely varying languages, laws, regulations and methods of business." In 1905 a special Committee of the Trustees, consisting of Thos. P. Fowler, Norman B. Ream, Hiram R. Steele, Augustus G. Paine, Clarence H. Mackay and John G. Milburn, made the following special report:

> In this connection your Committee considered the foreign business of the Company to determine whether it should be continued. Its conclusion is strongly in favor of maintaining this business as a general policy. There will, no doubt, be withdrawals from particular regions in the future as in the past, due to unsettled conditions, arbitrary exactions, excessive expenses, or unsatisfactory mortality. But that the foreign business as a whole is a benefit and source of strength the facts very clearly establish. . . . The considerations in favor of the foreign business are that its expense is about the average; that its mortality results are the same; and that as a matter of policy the widest possible distribution of risks under favorable conditions is the most desirable. The Committee, therefore, recommends that the foreign business of the Company be maintained, with the suggestion that, because of the statutory limitation on the amount of business the Company may do, it be thoroughly and critically analyzed with a view to retiring from regions where the results are least favorable and promising.

Perhaps the racial misunderstandings and jealousies which dimmed the vision of world expansion could have been overcome, but there was a still more serious obstacle. With the growth of the business of American life insurance companies in Europe (primarily with the New York Life, but also with the Equitable and Mutual), conditions were created in Europe and in other foreign countries which demanded world peace for successful continuance. One by one each European country required by law that foreign companies should invest annually the legal reserves accumulated in that country, and additional deposits for added protection, in specified securities and should place these securities

in depositories designated by the government of the country. The reason for this legislation was both political and economic; political in the sense that in the event of war or other international conflicts the local foreign government would have in hand the funds to carry on or liquidate the outstanding policies on the lives of its nationals; economic, because such laws created a ready market for the securities of the country in which the insurance business was being transacted. This form of legislation started primarily in Russia, and the New York Life's first Russian concession in the year 1885, required such a deposit of securities. Later on similar laws were passed in other European countries,—Italy in 1892, the Austrian Empire in 1897, Germany in 1901, France in 1905 and Spain in 1908. Thus the major powers in Europe one after the other eventually passed such restrictive legislation, and all foreign companies had to comply or cease doing business. The only European countries in which such hostile legislation was not enacted were the smaller ones like Belgium, Norway, Sweden, Denmark and Holland. Of the major foreign powers Great Britain alone did not impose these adverse restrictions, and in England the business moved along smoothly, although slowly. American methods of efficiency occasionally disturbed the equanimity of the more phlegmatic English temperament, but nevertheless a common language and a common code of law prevented slight frictions and misunderstandings from developing into almost insurmountable obstacles. Indeed the English business went so smoothly that in the year 1893, a convention of the Company's representatives was held in London, which was organized by Vice President Perkins, and attended by him and by Actuary Weeks. This convention, much like the conventions and club meetings of

present day, was a novelty in England, but was a complete success. Mr. Weeks, whose standards of business ethics were always of the highest, spoke thus to the convention:*

> I could not respond with any enthusiasm to this sentiment of "Success to our European Business," except that I feel that we do not hurt any one else by our own success. In former times it has been the idea among men that the only kind of success which was worth having was that taken from some one else, and to stand with your foot on your prostrate enemy was thought to be a most glorious triumph; but I think the world is reaching a little higher point in that respect, and that really the time is coming—it is almost here—when men of generous natures would not care to have any success that depends on the failure or the suffering of other men. We may feel quite certain that the success of a great mutual life insurance company does not injure any one; it is beneficial and only beneficial to all whom it touches, and that is an encouraging feeling for us all to have. It is very often the case that a man, in the occupation in which he has been led to spend his life, does not feel sure that his work is a benefit in every respect. I want to say that one in this business ought not to have that feeling, as from first to last our work is good, and nothing but good. We feel that we are only upon the threshold of the vast possibilities of life insurance; that it has a great and magnificent work to do for the world, hardly guessed at as yet, and the field being so undeveloped, the success of one company does not hinder the success of others, it rather stirs the ground for them. . . . Of course, ours is a great Company, and incidentally, we are proud of it;

*Hudnut's *Semi-Centennial History.*

> but, gentlemen, let us not care so much about its being one of the largest companies in the world, but let us be proud rather of its exact and fine adaptation to the ends for which it exists. Let us be proud particularly that it is an absolutely sound and secure Company; that it will carry out all its promises in the future as it has done in the past. And let us all join in the endeavor to attain better and better methods of meeting the exact needs of the community, and of bringing the community to share in the benefits we provide.

Mr. Weeks and all his colleagues understood, of course, the possibility of war in Europe and the complications that would necessarily follow, but no one anticipated the titanic struggle with its accompanying disruption of international relations, its dispersion of the Agency Force, its dislocation of finance, and its practical suspension of the operation of all law.

The Company continued its world-wide business until the outbreak of the war in 1914. Its field of operations extended from Russia on the north to Capetown on the south, and from England on the west to Japan and China on the East; it was well established in South America and the islands of the Caribbean; some of its ablest officers were stationed in distant parts of the world to conduct its affairs; they were like the proconsuls of the ancient Roman Empire, separated from home but devoting themselves with loyalty to the great organization of which they were component parts. There is nothing more splendid and romantic in all the annals of business—not even in the records of the Venetian Doges of the Twelfth Century, or the great Fugger family of Germany in the Fifteenth and Sixteenth Centuries—than the spectacle of this unified, coherent organization with one directing head carrying

on a beneficent, upbuilding commerce in all parts of the earth. Perhaps only the government of imperial England, to whose morning drumbeat Daniel Webster paid a tribute of memorable eloquence, has exercised a more penetrating human influence.

All this splendid organization had to be broken up and the noble purpose which lay behind it had substantially to be abandoned. The retreat, if it may be called a retreat, began when the Russian Soviet government seized the Company's Russian offices, appropriated its securities and really drove it out of the Russian Empire in 1918. This circumstance, with the intricate financial problems which arose all over Europe, satisfied the management of the Company that the time had not yet come when the vision that Mr. Weeks so eloquently expressed at the meeting in London could be realized.

By varying processes, therefore, chiefly reinsurance under the approval of the different foreign governments, the Company's foreign business was turned over to other Companies everywhere except in Canada.

Reference has been made to the dramatic adventures and perils of the "proconsuls" of the Company in foreign lands. A briefly sketched picture of the beginning and end of the Company's business in Russia will give the reader some conception of the fact that the administration of the Company's affairs abroad was not confined to the humdrum performance of daily routine but that it had some of those elements of romance which give such absorbing interest to the biographies of pioneers and explorers.

About the year 1888, a gentleman came into the Paris office of the Company and asked for an interview with Mr. Homans, the European Manager of the New York Life. His personality was one to attract attention. He was born in England of foreign parents, but for personal reasons, which need not be gone into here,

desired to leave England and live somewhere in the outermost bounds of Europe. It was found that he spoke English, French, German and Russian; and he expressed the belief that a large business for the Company could be built up in Russia. It was not easy at that time to find a man of background and ability who could speak both English and Russian, and after several conferences and investigations he was sent to St. Petersburg, now Leningrad. In those days it was necessary for a foreign company to obtain a government "concession" in order to do business in Russia. He made the necessary application for this concession and immediately began to establish himself and write business. He was surprisingly successful from the start and sent in an amazing number of applications to the Paris office at once. One day on the streets of St. Petersburg he was tapped on the shoulder by an agent of the secret police and told that he was under arrest. "What for?" he asked in surprise. "For doing business without a concession," was the answer. "But," he explained, "I have made the necessary application for a concession." Nevertheless he was arrested. But luckily it was found on investigation that the concession was signed by the proper official on the very day of his arrest, and he escaped the consequences that inevitably followed any violation of the rigorous and ruthless enforcement of laws and penalties under the Romanoff régime,—possibly even deportation to Siberia. This was the beginning of the Company's Russian business. Its end was even more dramatic and includes the story of how Frederick M. Corse, who had been the Company's chief representative of Russia for a number of years, escaped from that country at the peril of his life. Mr. Corse, a graduate of the University of Vermont in the class of 1888 and a member of

its faculty for six years, went to Russia in 1898, to represent a great American industrial company. In 1903 he entered the service of the New York Life as Comptroller for Russia, and from 1909 to 1919 he was the Company's General Manager in Russia. His knowledge of Russian life and the Russian language made him invaluable, and with headquarters in Leningrad, he protected the interests of the Company and its policy-holders until the outbreak of the Russian Revolution in 1919, when he was driven out by the Soviet Revolutionists, who seized all the records and property of the Company and have kept them to this day. For weeks Mr. Corse went to and from his office in imminent danger from the rifle fire which swept the streets. One of his last acts was to close the American hospital for wounded soldiers, of which he was Treasurer, and then with his wife and family he set out to escape through Finland. Suffering from cold and lack of food his little party managed to get through Finland, in which dependency of Russia the Revolution was also raging. An armistice of an hour was declared between the Reds and the Whites to let his party through. With the American flag at the head of his party he managed to get to a small island and from that desolate spot was conducted by sledges beyond the Arctic circle into Sweden, and so to safety. Returning to New York, he became a Secretary of the Company in the Home Office, where he remained until his untimely death in 1927, doubtless brought on prematurely by his Russian experiences.

It was not always the perils of war which the Company's "proconsuls" had to face, but other and equally dramatic dangers. Five years after the World War had ended the Company's Manager in Japan had an adventure which justifies the belief that a struggle with

the forces of nature may be more appalling than a conflict between the armies of man. Mr. Bryan, an Englishman, entered the service of the New York Life as Resident Secretary in Japan in 1902, and was the able and responsible representative of the Company for the Orient from that date until the Japanese Branch was closed in 1925. His letters, now on file in the Home Office, describing the perilous experiences which he and his staff and his family went through during the catastrophic earthquake that practically destroyed Tokyo in September, 1923, are comparable to the famous letters of Pliny the Younger which picture the ruin of Pompeii and the eruption of Vesuvius nearly two thousand years ago. On September 1, 1923, Mr. Bryan was signing some papers in his office preparatory to leaving for luncheon when "a noise like that of an express train came thundering along. The building began to rock. I went to the window for the protection of the frame. The rocking, however, became so severe that I decided to venture outside. I crept from my room, along the passage into the main office, which was empty, and so out into the street, and made for the nearest open space. All this time the ground was heaving like the deck of a ship in a storm." Later in the afternoon he became reunited to his wife and family at the site of what had been his delightful home, now completely destroyed, in the suburbs of Tokyo. "I looked at my wife," he says in one of his letters, "for a moment. Two great tears glistened and quivered in her eyes. She staggered, but I caught her before she fell. Flinging her arms around my neck, she kissed me and said, 'Never mind, dear, we still have each other and our children—all the rest is nothing.' My heart was in my mouth. I could not speak. Our little chap had gotten me by the legs and our daughter was clinging to her

mother. He said, 'Don't cry, daddy, I couldn't help it,' which brought us to our senses, and made us laugh. From that moment to this not a single word of complaint has passed."

The family set to work at once, dug two trenches, put up some tents with wooden floorings, and there camped out for nearly ninety days. The condition of the great City of Tokyo, with its population of more than two millions of people, is vividly described by Mr. Bryan:

> The city is a waste. Familiar landmarks are gone, and at first it was difficult to find one's way about. Suppose for a moment that the greater part of New York City were suddenly reduced to ruins and ashes and you had to find your way from the Home Office to the Grand Central Station without anything to guide you and you will have an idea of what Tokyo is like. Miles and miles are bare but for the remains of the fire which licked up and swallowed pretty well everything that came in its way. The horrors it committed are gradually being effaced. The streets are cleared of the dead. Ruins are being carted away. New landmarks are beginning to appear. Lines of huts, some of wood, some of tin, and some of all sorts of odds and ends, are springing up like mushrooms and mostly answer the double purpose of residence and store. Ruins on many sides are being dynamited by the army—some quite near to this office; and when an explosion occurs the sensation is anything but pleasant. Some stately structures still stand gutted and gnawed, grim emblems of the Tokyo that was gradually growing up [before the disaster]. The maze of telegraph and telephone wires by which the city was enmeshed after the fire became a terror. It seemed as though some gigantic spider's web had

> been spun upon the surface of the earth to entangle the unwary pedestrian. For days I threaded my way with a certain amount of fear, but that has passed.

It is typical of the loyalty and energy of the Nylic representatives that two weeks after this terrible catastrophe of destruction, which might seem to have put an end to all human endeavor, Mr. Bryan "decided to resume business on the 15th, and resumed business accordingly." From that time on Mr. Bryan's thoughts were for the continued upbuilding of the Company, and three months after the disaster he could say: "It is known that while some were pleading the Moratorium in order to delay payment, we [that is, the New York Life] were paying our way and meeting our liabilities in full. Mr. F., who was struck by the resources of the Company in time of need, is turning towards insurance again and has written quite a lot. Next year may be a very good one for us."

So it has been all through the eighty-five years of the life of Nylic. It has passed through many disasters,—four great wars, the Mexican War, the Civil War, the Spanish War, the World War,—and such disasters as the Chicago fire, the Boston fire, the earthquakes of San Francisco and Tokyo, and has never been found wanting. Of all of these catastrophes the World War involved the Company with the most difficult problems it has had to solve, for it brought the great drama of its life in foreign lands to an end.

Before continuing the narrative of the expansion of the Company's foreign business, and its withdrawal from that business by force of circumstances, it is desirable to refer to one phase of its experience in the Orient which goes far to nullify some of the misconceptions of the oriental character—at least as far as

China and Japan are concerned—entertained by many Americans. A representative of the Company* writes to the author as follows:

> When I went to Japan in January, 1911, no foreign life insurance company had ever been licensed to do business in that country. My negotiations with the government lasted almost a year. The Japanese government was extremely technical, requiring full and complete information relative to the business of the Company in great detail. We were able to meet their requirements in every particular and license to do business was issued. My dealings with the government were entirely satisfactory from every standpoint. The government officials were efficient and business-like. But soon after we were licensed to do business a very unusual situation arose. We had an office in Yokohama and I had been training office employees and agents and had employed a Medical Director and an Inspection Department. In fact all details in connection with doing business were completed, as far as this could be done at the start, when I found to my deep chagrin that we were unable to write any life insurance. After much investigation I discovered the reason for our failure to get results. The Company was practically unknown in Japan and the insuring public did not care to do business with an institution they knew nothing about.
>
> This obstacle was entirely overcome in a very short time by instructing our agents to ask their insurance prospects to write to the Insurance Department at Tokyo inquiring if the New York Life was licensed to do business in Japan and if our statements relative to the Company were correct. The Insurance Department helped us to

*Robert E. Whitney, Inspector of Agencies, Chicago, Illinois.

an extraordinary extent by answering these inquiries and endorsing the New York Life. The Japanese government and the Japanese people dealt with the representatives of the New York Life just as efficiently and satisfactorily as other nations have done. In the collection of premiums from our agents all over the Empire of Japan we had no more difficulty than we have in the United States or in any other country. I write this because of the opinion that prevailed here for so long about the unreliability of the Japanese. We were a long way from home and there was plenty of opportunity for things to go wrong, but in the two years I was in the Far East I found that if we conducted ourselves properly and did our business as we should we would be met on a 100% basis by the people of that region.

When I went to China I was told that it would be impossible for the New York Life to do business in that country under the Branch Office System and that we should have to adopt the comprador system.* I was told that the comprador would hire and handle all the agents and all business would go through him. The local board which has been formed, and which was composed of five leading citizens of Shanghai, individually and collectively held this opinion. They were successful men who had been there many years,—two Englishmen, a Scotsman, a German and an American. They told me plainly that I might as well take the next steamer back to where I came from because there was no such thing as our being able to do business in China by hiring Chinese agents and having them under direct contract with the Company in New York. As soon as the meeting

*In Hong Kong and the treaty ports of China a comprador is a native agent, manager or adviser employed by all foreign business houses as an intermediary to engage, discharge and direct all native employees of the firm.

> adjourned I had our manager go out with me personally and call on some of the leading Chinese compradors and explain the situation to them. Without exception they agreed that the Company's plan of having agents under direct contract was advantageous to the agents and was perfectly feasible in China. We built up a successful organization, continuing business in China until the Boxer trouble broke out, at which time the Company ceased writing business there. Thus, in both China and Japan we had no difficulty in doing business and doing it in a way that was entirely satisfactory.

Thus it appears that the New York Life has been a not unimportant factor in the promotion of mutual understanding in international relations.

The legal, financial and sociological complications of the withdrawal of the Company from foreign countries will be more fully referred to in the chapter on the World War. But it may be said here that the forced abandonment of its vision of world expansion, although a disappointment, was probably fortunate for the Company. It did not, however, close its offices or the other side of the world and bring home its "proconsuls" without eliciting some sincere expressions of regret from Europeans who were familiar with its beneficent work. Outstanding among these Europeans was Dr. Albert Ehrenzweig, a professor at the University of Vienna. The fact that, as Counsellor of the Minister of Justice, he exercised the function of Superintendent of Insurance for the Austrian Empire gives his judgment such historical weight that no apologies are made for quoting from it at length:*

"A desire for expansion . . . prompted the three so-

*Professor Ehrenzweig's views appeared in *The Spectator* of New York in its issue of April 27, 1922.

called "Giant" insurance companies to come to Europe. First came the New York Life, then came the Equitable, followed by the Mutual, which came last.

"From the beginning there was intense competition. It was as if two worlds had entered the lists. In France, Italy, Germany and Austria, the domestic insurance companies began to defend themselves, and a copious supply of pamphlets and controversies was showered upon the public. The domestic companies also found themselves suddenly in the midst of overwhelming competition and feared that European life insurance business was in danger. They had been moving along the old outworn paths, tied up with red tape and bureaucratic methods. The superiority of the American methods of doing business and capacity of organization, backed up by unlimited resources, made the competition fearful. . . .

"We did not realize that the struggle which had been fought through in a few decades in North America was worth a century in the history of the slow evolution of the European life insurance business. The American methods brought humanity nearer to the ideal type of insurance business, to the distribution of risks over the entire globe. We could not then appreciate the advantages of the business methods introduced by the Americans in Europe. The European life insurance companies, disturbed in their quietude, complained about wanton, technically unfounded advantages offered to the public, about disloyal competition created by the Americans with the incontestability, insurance extension, non-forfeiture, term extension clauses, etc. These conditions were then looked upon with abhorrence, but are now a part of our compulsory legislation.

"It is only today we recognize that many of the conditions in the European insurance contract which

are considered as a gift from our legislature to the insuring public, are due to the effect of the American competition in Europe. In this way the American life insurance companies have not only contributed greatly to the liberal insurance conditions in Europe, but also to the development of modern insurance laws which seek a just equipoise between the interests of the insured and the insurance company. They also introduced the insurance of substandard lives and have brought insurance within the reach of those with impaired health . . . and if we speak in Europe of the beneficial effects of the payment of war risks and war invalidity insurances during the last great war, we forget that there was a time when the European companies sneered at the Americans when they first introduced the war risk feature in their policies. But also from a purely business point of view the Americans have blazed new paths for us. They have shown the European life insurance companies how to canvass for new business. In America custom and habit make it a duty of every honorable man to insure his life, while European life insurance companies, handicapped by stupid prejudices, lethargy and indifference to the public, were accustomed to advance slowly inch by inch. The competition with the Americans carried the interests of life insurance into the deeper strata of society. . . .

"In a very short time there will no longer exist an American life insurance company in Europe. The insurance public must regret this fact. The American insurance companies have rendered immense services to Europe. We may say that modern life insurance in Europe contains in its insurance conditions and in its technical methods American ideas and the color of America. If there is any economic branch of our activity which develops into full internationalism it is that

of the insurance business. Through the withdrawal of the Americans from Europe this idea has received a very hard blow, but we shall never forget their activities in Europe, and regret that our hopes of internationalizing the life insurance business must be abandoned."

When, at the startling and almost wholly unexpected outbreak of the World War in August, 1914, "the hopes of internationalizing the life insurance business had to be abandoned"—to use Dr. Ehrenzweig's sorrowful phrase—the prospects of the Company at home and abroad were never brighter. At the close of 1913 its total outstanding insurance was more than two and a quarter billions of dollars; it had written during 1913 throughout the world new policies amounting to nearly a quarter of a billion dollars; and its assets had reached the unprecedented sum of over three-quarters of a billion dollars. Of this vast business the transactions of its foreign departments represented about twenty per cent. Fortunately the Company had been so soundly organized at home that it was able to withstand without material loss the shock of the World War which it received abroad. It had a brigade of "shock troops" which proved to be a great source of defense and sustaining power.

CHAPTER VIII

The Men in the Field

THE "shock troops," referred to at the close of the last chapter, were the members of the Agency Force,—the men and women in the field who are engaged in the never-ending campaign of bringing to the knowledge of the public the advantages of life insurance in general and the special value of the policies of the New York Life in particular.

With a young and struggling business of any kind the first problem is to get customers. To this problem the Company early and earnestly devoted its attention. Salesmen had—and still have—to go out and persuade people that the money spent in premiums on a life insurance policy is a desirable investment. It is not necessary for bakers to send out agents to persuade men to eat bread in order to save their lives, for hunger drives men to the purveyors of food. But the human race has not yet reached that state of intelligence which enables it instinctively to appreciate the incomparable value of life insurance as a means of saving and stabilizing property. Hence the necessity of a body of trained representatives to carry the advantages of life insurance to the public. At first the Company made strenuous efforts to select and appoint individual agents directly from the Home Office, as has already been noticed in the instances of Vice President Colfax, Secretary of the Treasury McCulloch and Generals Lew Wallace and Joseph E. Johnston. During the first

two years of the Company's existence about forty agents were appointed. In these early days it was supposed both by insurance executives and by the men in the field that the selling of life insurance could be carried on as a "side line" to other occupations, but it did not take many years of experience to prove that this more or less haphazard method of doing business was both ineffective and incompatible with the dignity and importance of the work. In the report of the executive officers to the Trustees at the annual meeting held on January 28, 1863, it was said:

> The officers are satisfied that no man can succeed in procuring applications for life insurance so long as his mind is occupied with other branches of insurance or with any general business; his time, talent and thoughts must be devoted to life insurance only. Experience has fully demonstrated that local agents absorbed in other pursuits are occupying unprofitably territory which might otherwise be cultivated to advantage, and the attention of the officers has been mainly directed during the past year to perfecting a new system.

This new system—new in 1862, but now antiquated and abandoned so far as the New York Life is concerned—was the General Agency System. Under this method the territory both at home and abroad in which the New York Life did business, was divided into departments, each being in charge of a General Agent, or a firm of general agents. Only thirty or forty men did business directly with the Home Office. The privilege of securing business for the Company and of making profits out of this business for themselves was farmed out to these men in much the same way as the profitable privilege of collecting the taxes was farmed out in the old Roman Empire and in the French Mon-

archy before the Revolution of 1789 paved the way for the modern French Republic. Some of the same social and business evils that displayed themselves in these imperial tax-gathering methods grew up in the General Agency System. The inevitable result was that the General Agent became despotic in the exercise of his authority and treated both the solicitors he employed and the company itself cavalierly. The General Agents made contracts with the Company on a commission basis with a large commission on the first premium and a comparatively small commission on the renewal premiums. Out of these commissions the General Agent met in whole or in part the expenses of his office and the cost of collecting premiums. He paid his agents, who were his personal employees, whatever he found it necessary to secure and hold them. Exclusive territorial rights were early demanded and granted. The Company had no dealings, nor a right to deal with the agent procuring the business. Under this plan of organization the General Agents became in effect like the barons of old. The able and successful ones made large profits, and by degrees, because of the large business produced, their exclusive territory was increased. The soliciting agent had no responsibility to the Company and no sense of loyalty except to the General Agent. Soliciting agents with a grievance against their General Agents for one cause or another easily transferred their allegiance to the General Agents of other companies, such changes occurring frequently and often in great numbers. When General Agents had established a large personal income from profits on their business resulting from long time renewals, they could take life easy and give only such time to the development of new business as they chose. The Company was powerless to enlarge its business, to instruct

or educate the agent actually producing the business or to engender in them any degree of loyalty or attachment to the Company. The only apparent remedy remaining in the hands of the Company to increase its business in a given territory was to make extra inducements to the General Agents for volume. This rapidly developed into the practice of extravagant bonuses for specific volumes of business from the territory of the General Agent, carried on to such a degree that it became possible for a General Agent, in order to secure the requisite volume for the calendar year upon which condition a large bonus on the entire year's business depended, actually to give away blocks of insurance at the close of the year and make money thereby. Rebating, that is to say, the practice of returning to the individual policy-holder a part of his first premium as an inducement to take the policy, became common, and when the New York Life, under the administration of John A. McCall, voluntarily tried to put an end to the giving of rebates the effort was resisted by some of the General Agents. A letter of Mr. McCall's to a General Agent of the Company in New York City is here printed because it is both an amusing and a melancholy revelation of the despotic power of certain representatives of the General Agency System:

Oct. 14, 1893

My dear sir:

I have, today, read your lately published letter stating your adherence to, and belief in, the system of rebating. The management's views and your own are widely different; and, of course, you cannot continue to represent the Company. I regret that we are at variance, (1) because you have been a most successful agent, as your record of over $1,000,000 in new business written during

1893 to date conclusively shows: and (2) because our personal relations have been to me, at least, extremely pleasant. But, like yourself, I must be consistent, even though it deprives us of your valuable aid. It may be that there are others in our ranks holding your views, who are more timid and less boastful in making them known. Permit me, for their benefit, to make this a "Bulletin" letter, in order that I may advise such agents, if we have any, that yours is by far the manliest course to follow, as it enables us to relieve our ranks of those who are not in accord with the views expressed in the Columbian Convention and elsewhere by nine-tenths of our agents, and publicly and promptly ratified by the executive officers of the Company.

Yours truly,

John A. McCall, President.

The foregoing brief review is a sufficient indication that the whole program of carrying on the business of the General Agency System was on a false basis. Mr. McCall became President of the Company in 1892. But nearly twenty years before he assumed the reins of direction the executive officers had tried to cope with the evils of the General Agency System by substituting a General Manager System which was the germ out of which the present Branch Office System has grown. The General Manager, whose compensation was a fixed salary and a small commission on the new premiums, had definite charge of the men in the field and of an office and an office staff. The latter consisted of a cashier and such clerical force as was necessary to keep the books and conduct the correspondence. Under this system very able men were selected and offices were established covering territories not then tied up

to General Agents. Among the leading General Managers so appointed were Colonel Alexander G. Hawes, at San Francisco, controlling the Far West; Major Livingston Mims, of Atlanta, Georgia, with a large Southern territory; Mr. George W. Perkins, Sr., in Ohio; Mr. William L. Hill, at St. Louis, who directed the business in the Southwest; and Mr. Walker Buckner, Sr., at Milwaukee, covering a large part of the Northwest. In these General Manager areas agents were employed under direct contract with the Company. Some of them were designated as General Agents over a limited territory with power to employ sub-agents, but a more direct contact was established between the producers of the business and the Company than under the older General Agency plan. Under the General Manager System greater elasticity was given to the work in the field, cost of business was reduced and the selling agents received more equitable treatment, resulting in loyalty on their part to the Company rather than to the General Agent.

Although an improvement, the General Manager plan failed to accomplish all that seemed desirable in establishing a feeling of solidarity among the soliciting agents and in tying them directly to the Company with bonds of loyalty and self-interest. In the year 1889, Mr. George W. Perkins, then a Western Inspector of Agencies, who later became a figure of great importance and influence in the Company, began in some of the Western states to establish Branch Offices in charge of a salaried Agency Director and a salaried cashier. Indeed, a somewhat similar system had been put in operation over the greater part of New England as early as 1878. It was soon seen that this plan of organization would accomplish all the desired objects which the previous plans failed to achieve, and the opportunity

for its adoption by the Company was created under the following dramatic circumstances.

The Company had been examined by the New York State Department and as a result of the examination it became reasonably certain that Mr. William H. Beers, then President of the Company, would retire. This, of course, was a matter of first importance to the Field Force. Representatives of the Field Force gathered in New York more or less spontaneously to consider the situation. George W. Perkins, who was then Inspector of Agencies with headquarters in Chicago, Darwin P. Kingsley, who occupied a similar position in Boston, Livingston Mims, who represented the Company in the South, Walter B. Moore, who had headquarters in the Home Office, Louis A. Cerf, who had made a rather distinguished record in California, and others, were amongst the men who foregathered at 346 Broadway. They tried to keep Mr. Beers. An elaborate defense of the Beers Administration was prepared and telegraphed all over the country, but for reasons that need not be discussed here it soon became evident that Mr. Beers would have to go. Then these assembled field men began to cast about for a successor to Mr. Beers. They selected a man, whose choice as later events showed would have been most unfortunate, and planned to put him in the field as against a figure that was rising above the horizon at that time, John A. McCall. Most of the men assembled finally decided that Mr. McCall's election was probably inevitable, and so they had a meeting at the Home Office, 346 Broadway, and named a committee to call on Mr. McCall to find out, if they could, what kind of a President he proposed to be. He was at that time Comptroller of the Equitable and the agents were disturbed by the idea that if he was made President of the New

York Life the Company would become a sort of an adjunct to the Equitable. They held a meeting and named a committee made up of George W. Perkins, Darwin P. Kingsley and Louis A. Cerf.

By arrangement the committee called on Mr. McCall at his house, 54 West 72nd Street, to talk things over. None of the committee at that time, except Mr. Kingsley, had ever met Mr. McCall. These two had met at the National Convention of Insurance Commissioners held at Niagara Falls in the fall of 1887, Mr. Kingsley representing the State of Colorado and Mr. McCall being at that time Comptroller of the Equitable. Mr. McCall received the delegation with the grace and charm of manner which always characterized him, and the committee frankly brought up the situation and the probability that Mr. McCall would be President of the New York Life, and told him they wanted his ideas of what his policy would be,—in fact one of them made the point that they were afraid of what might happen because of his connections with the Equitable. Mr. McCall laughed and brushed aside the suggestion and assured the committee that his only ambition in life if he became President of the New York Life would be to make the Company the greatest company in the world. Of course the charm of his personality captivated the committee at once, and when the committee had that assurance from him they all immediately became warm advocates of Mr. McCall. Then occurred a little incident which few know about. Mr. McCall said that he recognized the importance of the Agency Department, that a Company could not become great without brains and efficiency in that Department, and one of the first things he would do would be to put in the executive force of the Company an agency man of outstanding ability. He turned

to Mr. Kingsley, putting his hand on his arm (largely no doubt because they were acquainted) and said, "You are the man I want." Mr. Kingsley immediately said, "No, Mr. McCall, I am not the man you want. Here is the man you want," pointing to Mr. George W. Perkins. Mr. McCall at once assented: "All right, you gentlemen know what you want better than I do, and if Mr. Perkins is your choice we will make him Third Vice President of the Company as soon as that may be brought about." As a result of this call the sub-Committee made a report to the assembly of agents and General Managers in which they said: "Mr. McCall is a young man—forty-two years of age; he is in magnificent health; has a wonderfully magnetic personality; has raised himself to his present position purely by his own efforts and ability; he has no ambitions politically and we firmly and thoroughly believe that he is permeated with a most vivid conception of the greatness of the opportunity presented to him, and if made President of this Company he will accept the trust modestly and gratefully and will aim only to discharge that trust fearlessly and honestly. We have been taught in our business that half-hearted work accomplishes nothing. We believe, as a Committee, it will be for the interest of the Company generally and for the interests of each of us personally to welcome him heartily, to receive him royally, and to make him at once feel that he has the same support which has for so many years held up the hands of William H. Beers." The assembly of agents and General Managers accepted this report unanimously.

Mr. McCall was elected on the 10th of February, 1892; at his suggestion the Board of Directors elected Mr. Perkins Third Vice President. Under Mr. Perkins' direction, in coöperation with Mr. Kingsley, who

about that time became Superintendent of Agencies, the Branch Office plan was established. The organization of the Branch Office system, a notable administrative achievement, was not accomplished without many readjustments and the surmounting of perplexing difficulties in the agency field. In the solution of these problems Mr. T. A. Buckner, then Inspector of Agencies in the Western Department and now Senior Vice President of the Company, was an important factor. Under his inspiration and tireless personal guidance the ten thousand agents of the New York Life have been developed into one of the greatest selling organizations of the world.

The Company is now represented in all of the chief business centers of the country by its own Branch Offices. The Branch is in charge of an Agency Director and a Cashier who are appointed by the Company. They are paid compensation according to the results they achieve and the economy with which they conduct the affairs of their Branch Offices. The Agency Director is in charge of the territory attached to his Branch Office, employs new agents, instructs them in their duties, and when occasion requires, recommends the termination of their contracts. All contracts with agents are directly with the Company and subject to its approval. Every agent is attached to the Branch Office of the territory in which he works and reports to it, but may be transferred upon his request to another territory. The Cashier has charge of the books, the correspondence and the clerical force of the Branch Office. He makes a daily report to the Home Office of all financial transactions, accounting for all money received and disbursed, this report being mailed at the close of each day's business. He also makes, on behalf of the Agency Director, a monthly statement showing in de-

tail the work of each agent attached to the Branch.

The Branch Office System accomplishes three desirable ends:

1.—It places the field work and agency expenses absolutely under control of the Home Office.
2.—It brings the men who obtain the business into close touch with the Home Office.
3.—It places the facilities and conveniences of the Home Office within reach both of agents and of the policy-holders.

It further secures a constant supervision of the agents' work by trained men who are on the spot with opportunity to advise. A careful record of each agent's business is kept at the Home Office,—not only of how much insurance he writes but of how steadily and effectively he works and how well his business stays on the books. All necessary correspondence with the Home Office is conducted for him, leaving him free to devote all his time to personal contact with prospective and actual policy-holders. To the policy-holders in each territory the Branch Office is practically the Company. Here they pay premiums, make applications for the loans which are issued and recorded at the Home Office, and here are paid to them the various benefits which arise under their policies. At the time of this writing (1929) there are one hundred and sixty-one Branch Offices in the United States and Canada organized as thus described.

In order to promote effective administration of its field work the Company groups its various Branch Offices into departments, each of which is under the general supervision of an Inspector of Agencies, assisted in the larger departments by one or more Supervisors. The Inspectors of Agencies and the Super-

visors are men who have been markedly successful as Agency Directors, who have strong personal character, and who have the faculty of inspiring others,—men who thoroughly understand the business and are qualified by experience and success to lead and to help others. The territory of the United States and Canada, as this book goes to press, is subdivided into twelve departments, and an Inspector of Agencies is in charge of each.

There is also attached to each of the Branch Offices, except in a very few instances where the office is not large enough to require this special service, a picked man of the Agency Force who is known as an Organizer. The function of the Organizer is to aid the Agency Director in discovering, employing and training new agents. In addition to the Inspectors, the Agency Directors, the Supervisors and the Organizers, eight of the most successful long-term field men have been appointed Agents' Counselors, or special advisers to the Agency Force at large. These Agents' Counselors are in effect liaison officers between the agents on the one hand and the Inspectors of Agencies and the executive officers on the other. They have been in the service of the Company for many years. Each has an outstanding record of achievement and their advice and counsel as to the traditions and standards of the New York Life and the right methods of transacting its business are often of great value to the men newly taking up the work. There is also issued every week from the Home Office to every agent of the Company a "Bulletin" containing words of encouragement, suggestion and instruction respecting the business of the Company.

A unique feature of the plans of the New York Life for developing an *esprit de corps* among the soliciting

agents is the Club System. Believing that the business of life insurance should be regarded as a profession with recognized standards of achievement and a code of ethics to govern its conduct, Mr. Thomas A. Buckner established in 1896, in the Middle West, a club of agents known as the Central Two Hundred Thousand Dollar Club. Any agent in good standing and working in the department over which Mr. Buckner then presided, who procured $200,000 or more of paid business within the club year and under rules adopted by the Club became, upon the vote of approval of the Board of Directors of the Club, one of its members. In the following year, 1897, this Club idea was adopted by the Company for the entire United States under the same rules which had governed the original club established by Mr. Buckner. With some variations the Club plan has continued to the present day and is now an important factor of the Company's business. At the present time there are two general clubs, one requiring $400,000 of annual business for membership, the other $200,000 of business. No cash emoluments are attached to these clubs, but there is a two-fold motive for acquiring membership in them,—the honor of being recognized as one of the successful and well-known representatives of the Company and the opportunity of attending the annual club meetings. Members of the Clubs are convened once a year at some suitable and agreeable place of meeting and all the expenses of those agent-members qualified under the rules to attend the meetings are paid by the Company. Officials of the Company attend the meetings and they are virtually conferences on life insurance in general, on the business of the New York Life in particular, and have an inspirational effect both on the agents and the Home Office staff. They promote good-fellowship and

mutual understanding and enable the officers of the Company to come into direct personal contact with the leading men in the field. The Four Hundred Thousand Dollar Club is made up of members of the Agency Force at large without regard to territorial divisions. The Two Hundred Thousand Dollar Clubs are representative of the twelve territorial Departments of the Company. Perhaps no better way of conveying to the general reader a conception of the purpose and character of the club meetings can be found than to quote Vice President Thomas A. Buckner's announcement of the schedule for the year 1929:

> The $400,000 Club will meet at the New Monmouth Hotel, Spring Lake, New Jersey, September 5-9.
>
> The $200,000 Clubs of the various Departments will meet in groups as follows:
>
> Southern and Gulf Departments—Chamberlin-Vanderbilt Hotel, Old Point Comfort, Va., September 16, 17, 18.
>
> Western and Pacific Departments—Lake Tahoe Tavern, Lake Tahoe, California, September 16, 17, 18.
>
> Central, Northwestern and Southwestern Departments—The Royal Alexandra, Winnipeg, Manitoba, September 18, 19, 20.
>
> Greater New York Department—Marlborough-Blenheim, Atlantic City, New Jersey, September 23-26.
>
> Eastern, Northeastern, Atlantic and Great Middle Departments—Briarcliff Lodge, Briarcliff Manor, Westchester County, N. Y., September 26, 27, 28.
>
> These Educational Conferences are planned to

have an exceptional value this year. Every ambitious agent will want to matriculate in one or the other of these colleges, comprising the Great Nylic University. A large delegation of Home Office Officials will attend the Conference of the Top Club at Spring Lake; the members will be invited to the Home Office to look over and become acquainted with our beautiful new building. A delegation of Home Office officials will also attend each of the Divisional Conferences. The idea of these gatherings is to equip the leading writers of the Company for better and more efficient work in the wide field of life insurance.

In order further to cultivate a sense of permanency among the salesmen of the Company Mr. George W. Perkins and Mr. Darwin P. Kingsley organized, on behalf of the Company, in 1895, the "Nylic" system of benefits for persistent and successful agents. The word "Nylic," formed from the initial letters of the name of the Company, had long been in use as the Company's cable word in New York. It was now employed to designate a composite class of New York Life Agents each with a definite standing based on length and service and amount of business done. Good standing in "Nylic" carries certain emoluments which make it worth while for an agent to continue with the Company for life and to maintain a high standard of production. Insurance circles have long debated the question, "Is the Life Agents' work a profession?" Other professions are made up of men who have passed certain prescribed examinations and who have achieved certain recognized results. "Nylic" establishes a distinctive class of life insurance agents with a professional knowledge of their art based upon steady production, loyalty to their Company, and principles and

methods which bring cumulative benefits to all who follow it. Following the analogy of collegiate institutions "Nylic" is composed of five classes called respectively, Freshmen Nylics, First, Second, Third Degree Nylics and Senior Nylics. The members of each class receive extra compensation based upon their achievements. After a service of twenty years a Senior Nylic may retire with a guaranteed compensation for life calculated upon fixed and definite ratios of his sales production, provided he does not on retirement enter the service of any other life insurance company. This payment is in effect a kind of extra compensation and pension combined. In 1906, under the revolution of life insurance which resulted from the Armstrong Investigation, the New York Life was not permitted to add any new members to "Nylic," although old Nylic contracts were not invalidated. But two years later an official examiner of the New York State Insurance Department commended the system as "highly beneficial." "It made," he added, "the interest of the Company the interest of the agent, and it won for itself a reputation for reliability and responsibility in each community where the persistent agent was located. No other factor, in my opinion, has contributed more to the economic value of this Company than its 'Nylics,' and it is a matter to be regretted that it cannot be carried on with the new agents." Being thus advised, the Insurance Superintendent of the State of New York, in 1910, recommended a modification of the law which permitted the Company to continue "Nylic" and it is now perhaps the leading feature of the Company's sales organization.

In corresponding with the present writer, one of the successful agents of the Company, now an Inspector of

Agencies,* in charge of a Department consisting of eight States, thus estimates the value of the Branch Office System both to the policy-holder and the agent:

> The direct contract made by the New York Life Insurance Company with the selling agent was to the Life Insurance business what the Magna Carta was to the common people of England. The old feudal system of government was no more imperialistic in its powers—so far as the common people who made up the real back-bone of England—than the General Agency System was to Life Insurance, so far as the men who really built the Company were concerned.
>
> The greatest achievement in the history of this Company, as well as Life Insurance the world over, was when the New York Life formed a partnership between the policy-holder and the soliciting agent. That knocked the shackles off and freed the minds, widened the vision, stimulated the ambitions of every man in the employ of the Company. . . . Under the Nylic Contract the agent is not only a direct representative so that his abilities, energies and ambitions can be judged by results, but there is an equitable share in the profits of the institution given to him in the form of a disability provision, an old age pension and a death benefit if he devotes all of his abilities and energies to the up-building of the Company.
>
> In a sense such a contract dignified the profession of selling insurance. It made me, its agent, feel that back of me was a partner bigger and stronger than any other partner in the world, that because he empowered me to represent him di-

*Dick Oliver, Inspector of the Southwestern Department with headquarters at St. Louis.

rectly, he had confidence in my ability and respect for me as a man.

Another Agency Director calls attention to the fact that the general organization of the New York Life is unique in respect of the fact that its chief executive officers have been trained in and promoted from the Agency Force. President Kingsley, Vice Presidents Thomas A. Buckner and Walker Buckner, Second Vice Presidents Alfred L. Aiken and L. Seton Lindsay and Third Vice President Charles H. Langmuir all began their work for the Company in the Agency Field.

A visitor from Mars might get a better idea of the character, personnel, traditions, standards and operating methods of the New York Life by attending the annual four-day convention of the Agency Directors than by reading pages of such a volume as this. Early in January of each year the Directors of every Branch Office of the United States and Canada are assembled in a hotel (generally at some Southern resort in order that the climatic conditions may be favorable), and for four days formal meetings convene at which the business for the preceding year is reported and discussed and the requirements of the coming year are outlined. The meetings are attended by representative executive officers of the Company and usually by one or more members of the Board of Directors. For many years the Chairman of these meetings was Vice President Thomas A. Buckner, whose increasing duties and responsibilities have compelled him—although he is always present—to turn the chairmanship over to his brother, Vice President Walker Buckner. If the Martian visitor had ever attended an American college reunion he would feel that one of these Agency Directors conventions was a function of college alumni. The

Association has a "rally song book" of patriotic, popular and original New York Life ballads, and the singing of the men and women who compose the meeting (for while the Agency Directors come at the expense of the Company they often bring their wives and members of their family at their own expense) could be listened to with respect and admiration by any college undergraduate. Addresses are made by officers of the Company and by members of the Agency Force; problems of the business are discussed by special committees and reported to the general meetings; newly appointed Supervisors, Agency Directors and Organizers are inducted into office and given the right hand of fellowship; and altogether the atmosphere of the occasion is that of an educational conference of the highest order. The outstanding achievements of the individuals of the Agency Force during the preceding year are heartily applauded, although a spirit of sportsman-like rivalry between various Branch Offices and various Departments is not lacking. When the enthusiasm over some special achievement, or for some favorite officer, or about some newly announced plan of the Company reaches an irrepressible stage all present—even the youngest and most conventional—under the rhythmic direction of an accomplished cheer-leader burst into the well-known Nylic slogan:

Nylic! Nylic! lic, lic, lic!
When you write 'em, make 'em stick.
Do we write 'em? Well I guess!
Nylic! Nylic! yes! yes! yes!

The leisure hours in the afternoon or evening are spent on excursions or such sports as fishing or golf,—chiefly golf. With all its manifestations of good fellowship and *camaraderie* the general atmosphere of the

convention, however, is one of seriousness and strict attention to business. This is manifested by the customary ritual at the final adjournment when all hands are clasped in a great circle of two hundred or more people and a stanza of "Auld Lang Syne" is sung with true Scotch devotion to the memory of all that is good in human relationships. This interchange of experience, of instruction and of inspiring suggestion sends every man home, whether he be from the Home Office or from the field, with renewed determination and courage for the following year's work. The rights, interests and welfare of the policy-holders are not forgotten, and any policy-holder who could look in on one of these conventions would, the writer believes, congratulate himself on having the protection of such a body of men.

Other life insurance companies have followed the example of the New York Life and have adopted some of the features of the Branch Office System, but it is not claiming too much to say that it originated with the New York Life, and by it has been carried to its fullest perfection. If space permitted many examples might be given of what the New York Life has done for the individual agent, but there is room in these pages for only one illustrative biographical sketch.

Some years ago a young Russian student at the University of Moscow was driven out of his native land by the Romanoff police under the unjust suspicion of being a revolutionary. He had married a fellow-student and his wife was expelled with him. They escaped with difficulty and hardship into Austria, and from there the wife succeeded in getting to the United States. But the young husband was detained by the emigration authorities because his health had broken down from his privations and sufferings in Russia. He remained

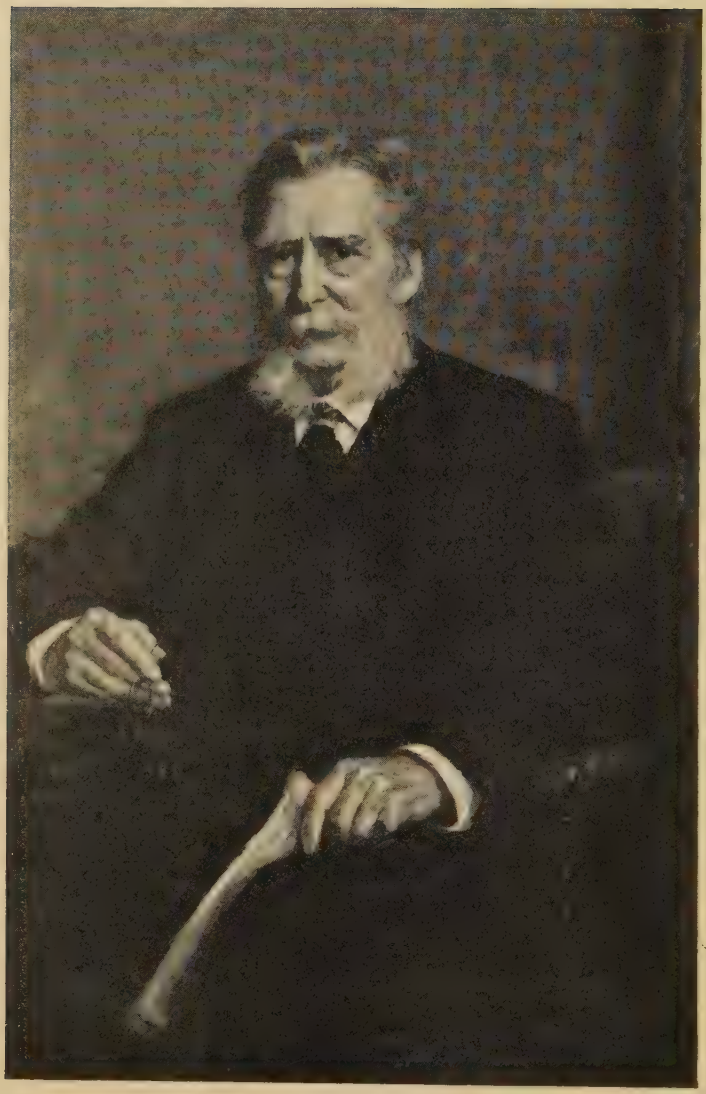
in Austria a year, built up his health and eventually succeeded in joining his wife in New York.

Although a university man, he spoke no English, and naturally, owing to the circumstances which had driven him from Russia, he had no money to support himself and his wife. He began selling newspapers, but his ignorance of the customs and language of the country made that unsuccessful. His knowledge of economics taught him that the best way to gain self-support in this country was to learn a trade. He became a shoe-cutter, and in pursuit of this employment he traveled from place to place wherever factory employment gave him an opportunity. All the time he had a determination in the back of his mind to become a lawyer, and in whatever town he worked he attended the night schools of the Public School System. It may be said in passing that, in relating his experiences to the writer, he paid a great tribute to the American Public School System. In Auburn, New York, he fell in at night school with a teacher, a lady whom he still regards with gratitude and reverence as one of the chief factors in his later success. What she was able to do in shaping his career is a signal tribute to the influence which teachers may have in forming the civic standards of the foreigners who desire to adopt American citizenship.

Our young Russian finally found himself in a shoe manufacturing city of Massachusetts, a few miles from Boston. On inquiry he learned that he could take an evening course in Law at the Boston Y. M. C. A., but how to get the money necessary for his fee and the required text books was an insoluble puzzle. Somebody, a year or two before, had persuaded him to take out a small insurance policy to protect his wife and baby, and another friend, learning this fact, told him he could

borrow the required twenty-five dollars on his policy. He did so and, as he said to the writer, this was like a revelation from the skies of the wonders of the institution of Life Insurance. On the stroke he determined to make Life Insurance, instead of Law, his career. He wrote to four companies asking for an interview. The letter he received in reply from Mr. Alex S. Browne, Inspector of Agencies in the New England Department of Nylic was the one that attracted him. He saw Mr. Browne and the result was that he became an agent of the New York Life. He gave up his shoemaking; threw himself into his new work; has been a president of one of the big clubs; and is now a prominent and influential citizen in the community where he had formerly been a factory hand. He was Chairman of the Liberty Loan Committee of his city during the World War; his advice and activity is sought in its educational and civic work; with his university background he has continued his study of American history and literature; he has become a finished public speaker; and he has an enviable income. It may be incidental but it is certainly not unimportant to add that his garden is one of the show-places of the town. In a word, he has achieved a standing as an American citizen which some descendants of the Mayflower Pilgrims have not succeeded in attaining. This story is sketched here in its barest outlines to indicate what the New York Life, to which this Russo-American is devoted in his loyalty, has accomplished in more than one instance through its Agency System in the promotion of citizenship.

But the reader may possibly say to himself at this point: "This is all very well as to the Agent, but how about the policy-holder? What does the Company do for him?" If this quite proper question has not been sufficiently answered in the chapter on the Civil War



Alexander E. Orr
Sixth President
January 3, 1906—June 17, 1907

some further specific instances of special service of the Company to the insured will be given later on. All that is appropriate here is to add something about the attitude of the agent to his "prospects," to use the term applied in the insurance profession to the possible purchaser of a policy.

As in all trades, there are doubtless some insurance salesmen who have an eye only on their commissions. They will "put over" anything they legitimately can for the sake of their own profit. But while this attitude towards salesmanship is unprofitable in the long run in any business, it is peculiarly unprofitable in the insurance business where service is the basis of mutual confidence between the seller and buyer. The insurance agent is not selling a commodity; like the doctor he is selling continuing service. Among the eight or ten thousand agents of the New York Life the great majority are profoundly convinced that they have something which the prospect ought to have and which it is their duty to persuade him to accept. The attitude of the best and most successful type of insurance agent towards his customer is that of a preacher or missionary.

At about the time of the Armstrong Investigation Mr. Kingsley, then a vice president of the Company, contributed to the "Review of Reviews" an article in which, among other things, he said:

> We are told that a company should have no agents. As well attempt to establish a church without preachers. Few people go directly to a church and ask to be enrolled. Few people will go to a life insurance company and ask membership. The reason is the same in each case. No religion has ever reached and served humanity without organization, without devotees, without

> the contagious example of enthusiastic advocates. No life insurance company has ever achieved anything worth while without driving its principles home through men—through agents. The attempt has been frequently made to do a life business by intellectual processes merely. The result has always been respectable inanition. . . . The great companies are all akin, in their methods, to the aggressive churches. They have followed the same methods, and, in their determination to reach the people, they may even be said at times to have been as undignified and as useful as the Salvation Army.

The story of one such Nylic agent illustrates what Mr. Kingsley has called the Salvation Army spirit of the profound believer in Life Insurance. This particular agent was born in the frontier territory of the Southwest. From his earliest childhood he was familiar with the hardy and toilsome life of the pioneer and cowboy. He was early thrown on his own resources and got a job as office-boy in a Western Branch Office of the New York Life. From that position he has steadily risen until he is now one of the most responsible and highly valued representatives of the Company in the field. He has written large volumes of insurance himself and has picked and trained scores of young men to follow in his footsteps. "In my early days," he said in talking with the writer one evening at an Agency Convention, "I canvassed among the homesteaders and ranchers of the sparsely settled country of the Southwest. I would go to a man who was working his head off to complete his title to his 160-acre tract, and had his wife and a couple of babies housed in one shack and his horses and cow stabled in another, and say to him: 'You've got to take a thousand dollar

policy to protect your wife and babies.' 'But I can't pay the premium,' he would protest. 'I don't care how you scrape the money together for the premium,' I would answer, 'all I know is you've got to have the policy for if anything happens to you your family'll lose this ranch. Sell a horse if necessary!' And I'd dragoon him into signing the application, and when I'd delivered the policy and had seen him put it in his safe, which was the space behind the clock on the mantle-shelf, I'd go outside and say to myself, 'By G—d, there's another man saved.' "

The Recording Angel will doubtless overlook the expletive,—perhaps even approve it as an index of the missionary zeal which characterizes the work of the agent who used it.

If any one feels that it is verging on cant to apply the adjective missionary to the spirit which manifests itself in the work of the Field Force of the New York Life there is good authority for both the word and the interpretation back of it,—the authority of an ex-President of the United States. In June, 1929, Calvin Coolidge, who a month earlier had been elected to the Board of Directors of the Company, wrote the following letter to President Kingsley:

June 2, 1929.

Darwin P. Kingsley, Esq.
President of the New York Life
Insurance Company.

My dear Mr. Kingsley:

It is with the deepest regret that I have to advise you that I injured my arm in the quest for a big fish, making it so inconvenient to travel that I have been obliged to give up my plans to attend the dinner the New York Life Insurance Company is

giving to some of its agents on June third. I had especially anticipated meeting this large and representative body of our field marshals and being present to hear the words of commendation and congratulation that you will give them. I know that in spite of all that the Home Office can do the success of our Company depends in the first instance on the knowledge, courage and skill with which our agents present the great benefits of insurance to prospective policy-holders. The importance of their work cannot be overestimated. No praise that you can bestow upon their success can be too great. The growth and expansion of the Company and the consequent benefits which accrue to the public is due in large part to their faithful and efficient efforts.

I wish you would give my cordial greetings to these missionaries of sound and enduring prosperity and my best wishes for their continued success.

Cordially yours,

Calvin Coolidge

No better epilogue could be written for a chapter entitled "The Men in the Field."*

*For the facts and even some of the phraseology of the account of the Branch Office System the author is indebted to Vice President T. A. Buckner.

CHAPTER IX

Years of Trial

To form a just and well proportioned conception of the growth, problems and trials of the New York Life during the two decades from 1886 to 1906 requires a reasonable understanding of the social and economic characteristics of the United States during the same period. Much violent denunciation of "Big Business" and "the Money Power" will be found in the political literature of that era,—as if those terms could be applied to a small group of "plutocrats" who in some mysterious and malign fashion controlled the government of the country! Indeed, the late Senator Robert LaFollette, the famous radical of Wisconsin, once said that a group of less than twenty men, whom he actually named, were the real rulers of the United States. At least one of the despots on his list was, or had been, a Trustee of the New York Life!

It is doubtless true that the power of money had, and perhaps even now has, too great an influence in American society and legislation. But to assert that a small and specifically limited group of American citizens are actuated solely by selfish desire for riches and that all the rest are noble examples of the highest kind of devotion to the general welfare of mankind is a result either of a fatuous ignorance of human nature or of an intention to exploit human prejudices for demagogic ends. The fact is that the desire to acquire wealth and the power which wealth brings

has been from time immemorial one of the innate qualities of man. There is no such thing as a personified "Money Power" but there verily is everywhere, in every clime and in every time the power of money operating in human relations. When it operates properly and normally it is the source of the virtues of industry, thrift, education, philanthropy and the permanency of the family; when it operates without the restriction of the individual conscience or the control of government it is the source of incalculable vices. As Nicholas Breton—a minor Elizabethan poet and essayist who inherited wealth but not the art of retaining it—sadly observed of money: "Not to talk too much of it, having so little of it, I thus conclude my opinion of it: a necessary dross and a dangerous metal, the relief of the honest and the ruin of the wicked." But, since Breton died impecunious, like many of his literary confrères of that time, he was probably speaking from painful experience.

It is not very fashionable nowadays to read or refer to the Bible. Perhaps that is why it is so often misquoted! It is frequently said that one of the Biblical writers, the great Hebrew philosopher, Saul of Tarsus, denounced money as *"the* root of all evil." What he actually said was that the *"love"* or *"coveting"* of money or riches "is *a* root of all evil." The Bible is full of stories that illustrate this truth from that of Jacob, who "gypped" his brother, Esau, out of his heritage for a mess of pottage, to that of the merciful and unmerciful creditors told by the great Preacher of Nazareth. Neither the small tradesmen or the big-businessmen of America are any different in this respect from the ancient Hebrews, Greeks, Romans, or Elizabethans except that as the world has progressed the sense of justice and honor has progressed with it, and

nowhere has this progress of commercial and financial rectitude shown itself more markedly or in a shorter space of time than in the United States.

The general opinion of mankind regarding the overweening love of money and the ostentatious pleasures and powers which are supposed to go with it, expresses itself in the universal ridicule which is heaped upon the *nouveaux riches*. The *nouveau riche* period of American society perhaps reached its highest point in the decades from 1886 to 1906, and its false basis is relentlessly exposed in the jokes and gibes which amuse the present generation at the expense of "the gay nineties." The New York Life, like every other social and financial organization of those days, suffered from the general infection, although happily it did not succumb to the disease. This much must be said as a prelude to a review of the administration of the New York Life by President Beers and President McCall.

Morris Franklin became president of the New York Life on December 22, 1848, and served until the date of his death, October 22, 1885. He was a man of peculiarly fine and sensitive character, but he must have been also a man of high administrative ability for, as has been related in a previous chapter, he carried the Company successfully through the hazardous months of the Civil War. Two years after Mr. Franklin assumed the presidency a young man named William H. Beers, came into the service of the Company as "mathematician and cashier." This was his own definition of his official status. There is nothing in the records of the Company to show who engaged his services or what his previous training had been. One of the oldest living executive officers of the Company, now on the retired list, who was for many years intimately associated with Mr. Beers and has great respect for

his abilities and achievements in building the Company up to a foremost position in the insurance world, has said to the present writer in speaking of Nylic incidents of former days: "Mr. Beers was a kind of mystery and all the employees, of whom there were about forty-five in the Home Office in the latter part of his administration, were very curious about him, but no one was ever able to say anything about his history before he came to the New York Life. When Mr. Beers entered the service of the Company life insurance was not a scientifically conducted business and the methods of administration were not at all like the methods now in use. The managing officers of the Company had practically everything to say about the running of the business. The Directors used to meet once a month and have a dinner and afterwards the clerks had what was left of the ice cream and sandwiches. Of course there was always enough to go around. It was quite an event."

Mr. Beers had a dominating personality and from his earliest advent into the Company his constructive influence began to show itself. In 1868 he was made Vice President and Actuary and from that time on until Mr. Franklin's death, when Mr. Beers was elected president of the Company, he was *de facto* head of its affairs. In 1868 the assets of the Company were something over nine millions of dollars. In 1892, when Mr. Beers resigned the presidency and was succeeded by Mr. McCall, the assets were one hundred and twenty-eight millions of dollars. Everybody who knows anything about the progress of American life insurance will agree with the estimate of President Kingsley that Mr. Beers "during the period of his service did more than any other man of that period to put the Company in a leading position in the life in-

surance and financial world." There was immense rivalry between Mr. McCurdy, president of the Mutual Life, Mr. Hyde, president of the Equitable Life, and Mr. Beers, president of the New York Life, and Mr. Beers was by no means worsted in this strenuous competition. But, like many forceful men, he had characteristics which bred unhappy and sometimes bitter antagonism. His method was to order everything and direct everything. His word was like a fiat from Jove. He was considerate of his subordinates but not accustomed to consult with his peers. This was the source of his strength as well as of his weakness. To him, probably more than to any other single individual, is due the extension of the business of the New York Life in foreign fields. In the course of this extension the misappropriation of monies and the consequent bankruptcy of one of the Company's General Agents in the Spanish-American Department in 1890, (through which, however, the policy-holders lost not a single penny), brought these antagonisms to Mr. Beers, both inside and outside the Company, to a head. The *New York Times,* actuated as much by antipathy to Mr. Beers' personal qualities as by any just ground for condemnation of the Company's financial honor, made a series of bitter attacks upon the New York Life, centering them upon what it was pleased to call Mr. Beers' mismanagement. The minute book of the Board of Trustees of this period throws some interesting sidelights on the turmoil occasioned by the controversy between the *New York Times* and Mr. Beers. By resolution of the Trustees the Superintendent of Insurance for the State of New York was requested to make a thorough and open investigation of the affairs of the Company; a suit for libel was brought against the *New York Times,* and the cashier of the Company was sum-

marily discharged by the Board of Trustees for supporting privately and publicly the newspaper attacks on the Company. One of the Trustees most active in a defense of the honor of the Company was Colonel William L. Strong, who a few years later was elected Mayor of the City of New York on a reform ticket. That politics had something to do with the attacks upon Mr. Beers may be inferred from a paragraph which appears in the minutes of the Board of Trustees of a special meeting held on the first of February, 1892. It may be said that Mr. Booth, who made the accusation contained in the minute, was a member of the Board of Trustees for thirty-two years, a prominent citizen, a highly respected bank president, an associate of Samuel J. Tilden in organizing the Chicago and Northwestern Railway, a president of the Children's Aid Society and chairman of the Committee that investigated the Tweed frauds. He is a credible witness. The minute reads as follows:

> Mr. Booth then spoke of the bitterness of the attack that had been made upon the Company and as showing the venality of it stated that on January fifth a proposition had been made to him by a gentleman connected with the City Government, who was accompanied by another gentleman whom he [Booth] had known for many years, that if President Beers and several of the Trustees would retire, making place for his friends in the Board of Trustees and putting in a gentleman of their selection as President he would guarantee to obtain an entirely satisfactory report from the Insurance Department which would give President Beers a clean bill and that he would further stop the assaults of the *New York Times* and would give President Beers a prominent place in the new management. Mr. Booth was given but a limited

time to think the matter over, but the proposition was laid before President Beers who instantly refused to consider any such overtures. Mr. Booth instanced the above as showing that we could have had a very flattering report if we had been willing to deliver the Company up to these people.

The foregoing minute is a revelation of the general commercial and political laxity of that period. Mr. Beers vigorously and frankly fought the attacks, which were in a large measure directed against his private life and not his official actions.

One of the traditions* of the Company, handed down from Civil War times, concerns an instance of Mr. Beers' sympathetic treatment of his subordinates and his standards of fairness in a fight. Soon after the Civil War had ended, an unshaven and unkempt Southerner walked into Mr. Beers' room in the Home Office, introduced himself as Major Livingston Mims, formerly of the Confederate Army, and stated that he was looking for a job and believed that he could make a success at Life Insurance. He was led, he said, to apply to the New York Life because of the fair treatment the Company had accorded the South,† and added that he was a personal friend of General Joseph E. Johnston and might form with him a partnership to represent the Company at Atlanta. Mr. Beers took a fancy to the Major but told him the first thing for him to do was to make himself presentable by going to a hotel and getting bathed, shaved and a hair-cut and buying a new suit of clothes. For this purpose Mr. Beers handed the Major a hundred dollars as a starter, and when the ex-Confederate officer returned the next day, refreshed and rejuvenated, Mr. Beers gave him a

*Related to the author by Vice President Thomas A. Buckner.

†See Chapter V on the Reconstruction Era.

contract and sent him back to Atlanta to organize his agency. This was the origin of the firm of Joseph E. Johnston and Company, General Agents of Atlanta, Georgia, famous in the annals of the New York Life's development in the South. An interesting letter recently received by the author of this volume from a representative* of the New York Life in Georgia confirms the foregoing anecdote of Major Mims and adds some recollections of his striking personality: "Although my time began thirteen or fourteen years after the Civil War closed," says this correspondent, "I saw General Johnston a few times and remember him as a grave, courtly gentleman. Major Mims was the antithesis of General Johnston, being big, bluff and hearty. In expressing his feelings to or of a man who differed with his views of the New York Life he could use more damns—and get away with them—than can be easily imagined. He and President Beers naturally became close personal friends and when Mr. Beers spent a few days here with Major Mims during the heat of the *New York Times* controversy—about 1891, I think—the Major urged Mr. Beers to subsidize another newspaper and 'cuss back at the *Times* as hard as the *Times* had cussed him,' but Mr. Beers could not see it. He was willing to fight but not by subterranean methods."

But the public clamor, instigated by the press, was too serious to withstand, and at the meeting of the Board on February 8, 1892, Mr. Beers personally read to the Trustees the following dignified letter of resignation:

Gentlemen:

As you all know, I have nothing at heart but the

*Robert L. Cooney, Director of the Atlanta Branch Office and Inspector of Agencies-at-large.

continued welfare and prosperity of this Company to which I have devoted the best years of my life. I have no personal ends to serve, but at my advanced age and in my present state of health, I require relief from the very onerous labors of the presidency and but for the long continued and persistent assaults upon the Company—which have been chiefly directed against me personally—I should long ago have asked you to lighten my labors. I also recognize the fact that such assaults, however unjust, may in the end prove detrimental to the Company's interests.

I therefore hereby tender my resignation of the Office of President to take effect Wednesday, February 10, 1892.

Yours truly,

Wm. H. Beers, President

The resignation was accepted, Mr. Beers was placed upon the retired list with resolutions sincerely appreciative of his services, and a few days later Mr. John A. McCall was elected president of the Company.

Mr. McCall was one of the great insurance leaders of his time. Born in Albany in 1849, of Irish ancestry, he was graduated at sixteen years of age from a business college in that city and immediately he became a bookkeeper in the branch office of an insurance company in his home town. From that position he was summoned to the State Insurance Department and became successively an Examiner, Deputy Superintendent and Superintendent of the State Department of Insurance, to which highly responsible position he was appointed by Governor Grover Cleveland. This appointment by such an executive as Cleveland would alone be a sufficient and lasting guarantee of Mr. McCall's ability and integrity even if there were no other testi-

mony to his high character. The Equitable Life Assurance Society of New York called Mr. McCall from his governmental office to be its comptroller and while in that position he was invited by the Trustees of the New York Life to become its president. He was elected and assumed office on February 12, 1892, two days after the retirement of Mr. Beers. He set about at once a reorganization of the New York Life's affairs and the previous chapter contains an account of his recreation and revivifying of the Agency System.

For ten years Mr. McCall's administration was a happy and successful one. Under his experienced, skillful and tireless management the business of the Company expanded steadily both at home and abroad. He was in thorough sympathy with the views of life insurance so often expressed by Mr. Franklin and his associates in the Company's earlier days, namely, that the vast property committed to its care was the property of the policy-holders and was to be administered for their benefit in an unqualified spirit of trusteeship. The phrase had not perhaps been coined at that time but nevertheless Mr. McCall regarded a mutual life insurance company as a "social service institution." There is no evidence or even suspicion that Mr. McCall or any of his responsible associates broke or evaded this principle of trusteeship to promote their own personal profit. Whatever they did that may now be criticized in the light of present-day standards was done with the honest conviction that the acts were necessary for the protection of the best interests of the policyholders. Unfortunately, as has been outlined at the beginning of this chapter, there prevailed at that time, in the private corporate business and in the governmental politics of the various American states, conditions and practices which were corrupting and danger-

ous. One has only to read that great classic of political economy entitled "The American Commonwealth," by the late Ambassador James Bryce, to appreciate how widespread and insidious these practices were. Their existence does not excuse the errors of the New York Life but it does explain how the commission of those errors was compatible with a high sense of honor and responsibility. There was an enormous amount of "strike legislation," that is to say, bills which were introduced into state legislatures for the sole purpose of bleeding corporations and forcing them in self-protection to make payments to political parties and to individual "bosses," legislators and lobbyists. Mr. McCall knew the shadowy side of the legislative atmosphere of Albany,—knew what the late Senator Beveridge so effectively called in a later period of reform "the invisible government." Like scores of business executives of his day he was convinced that the only way to deal with this situation was to fight the devil with fire. And so he employed a very able and astute lawyer, named Andrew Hamilton, to watch over the interests of the New York Life involved in legislation. Large sums of money were entrusted to Hamilton and few questions were asked as to how he spent it.

Finally, a bitter quarrel between officers of a great life insurance company of New York City (not the New York Life), with much public washing of dirty linen, and the scandal of legislative practices, not merely in connection with the life insurance companies, but with all corporate business, impelled the Legislature to undertake an investigation. As the great insurance companies of New York City were the largest financial institutions under the control of the State, and as they could be attacked on the ground that they were jeopardizing the welfare of "widows and orphans"—always

a successful basis of appeal to public sympathy—a joint committee of the Senate and Assembly of the State of New York was appointed in the midsummer of 1905 "to investigate and examine into the business and affairs of life insurance companies doing business in the State of New York." The committee immediately organized, and under the direction of its counsel, Charles E. Hughes, conducted an inquiry for several months. This was the now famous Armstrong Investigation of 1905-6 which took its name from the Chairman of the Committee who was a member of the State Senate.

There were some accompaniments of the Armstrong Investigation which made its deliberations a matter of public importance and national excitement. One of the most drastic provisions of the laws enacted on the recommendation of the Armstrong Committee was one canceling all existing proxies, legislating out of office all Directors in mutual life insurance companies and setting up elaborate machinery for the election by the policy-holders of entirely new Boards of Directors. Policy-holders in the New York Life had always had the right to vote for Directors, but not for an entire Board at one time. Mr. Samuel Untermyer, a very able lawyer, who may be said to have been for a quarter of a century the stormy petrel of the New York Bar, undertook the task of defeating the tickets which the new laws compelled existing Directors in each of the two great mutual companies of New York, the New York Life and the Mutual Life, to nominate. By express provision of the law these tickets were called the "Administration Tickets." To defeat these nominees Mr. Untermyer created a group called the International Policy-holders Committee, some of the members being of distinguished public standing, and

Darwin P. Kingsley
Seventh President
Elected June 17, 1907

DARWIN P. KINGSLEY

Mr. Kingsley was born on a farm in Alburg, Vermont, on May 5, 1857. He knows from his working experiences as a boy all the vicissitudes, both grave and gay, of a New England farmer's life. Like all farmers' boys of his time and region, he worked with his father during the spring, summer and autumn and attended "district school" in the winter months. Determining to get the best possible education obtainable, he entered Barre Academy and prepared for the University of Vermont. From that institution he received the degree of Bachelor of Arts in 1881 and that of Master of Arts in 1884. He worked his way both through his preparatory and college courses.

After leaving college he went to Colorado and became the editor of a local newspaper. His far western life combined with his experience on a New England farm gave him an invaluable conception of the economic and social fundamentals of American life. Throwing himself into all the activities contributing to the progress of Colorado, he became State Auditor and State Superintendent of Insurance. The New York Life, which at that time was reaching out for young men of promise all over the country, called him to its service and made him Inspector of Agencies for the New England states. From that position he was summoned to the Home Office, and in 1893 was appointed Superintendent of Agencies. In 1898 he was elected Third Vice President and a Director of the Company, and in 1903 its Vice President. On June 17, 1907, as has been related elsewhere in this volume, he was chosen to be the Company's President. Readers of this volume will be familiar with his notable record in that office.

Mr. Kingsley has received the honorary degrees of LL.D. and L.H.D. from his alma mater and an LL.D. from Middlebury. He is a trustee of the University of Vermont, a Director in various corporations and past president of the New England Society in the city of New York and of the Chamber of Commerce of the State of New York. He is widely known as a public speaker and writer, and his papers, collected in four volumes, on the philosophy and technique of life insurance have exercised a wide influence on the progress of life insurance as an American institution. Few Americans of his time have so effectively combined as he an administrative ability of the highest type in business with the capacity to perceive, analyze and interpret the social, economic and political currents which have carried the American Union from a pioneer stage into the forefront of the nations of the world.

under the ægis of their names he nominated what was called the Policy-holders Tickets and began to solicit proxies from the policy-holders of the above-mentioned companies for his own nominees in each company. He organized a completely equipped office with a large force of clerks and began sending out letters, circulars and news articles, both here and abroad. These were of so inflammatory a nature that faith in the general business of life insurance was being shaken among policy-holders all over the country. He publicly denounced the companies as "bottomless sinks of corruption"* and pointed out (as he phrased it) "the incredible folly and effrontery" and the "defiant and unrepentant attitude toward the policy-holders"† of the officers of the New York Life. Many other instances of his phraseology were so exaggerated and extravagant that Judge George Gray, of Delaware, who was a member of the International Policy-holders Committee, protested at its first open meeting. In a newspaper account of this meeting it was said:— "Judge Gray's judicial mind led a majority of the Committee to advocate a more conservative course, and it was decided that the campaign should be kept on a high plane and free from personalities and recrimination. Most of the distinguished men present joined freely in the discussion of the first draft of the address prepared by the committee, and so many emendations were made in its original form that the committee sat until after eight o'clock before it had completed its task."‡

Notwithstanding the efforts of Judge Gray and some

*Address of Mr. Untermyer to a committee of the Ohio Legislature, reported in the New York *Sun* of March 22, 1906.

†Quoted in the *New York Times* of June 2, 1906.

‡The New York *Herald,* July 10, 1906.

of his public-spirited colleagues, the methods which Mr. Untermyer adopted created such dissensions in the Committee that some of its members resigned, notably Cardinal Gibbons, of the Roman Catholic Church, and Bishop McCabe, of the Methodist Episcopal Church. In his letter of resignation Bishop McCabe said:

> I do not approve of the address, or of the other pages printed with it, and purporting to be issued by the committee. I am quite sure that the members of the committee who have personally signed the address cannot possibly approve the form in which it has been sent out or the intemperate and vituperative language in which our alleged opinions are constantly set forth by the spokesman [Mr. Untermyer] of the committee. I have considered fully the duty imposed upon me, and I protest against further expression in the name of the committee of opinions and accusations with which I have no sympathy, and which I am convinced have no sufficient justification in fact.*

Although Mr. Untermyer's efforts received a large amount of publicity in the news columns of the press throughout the country the best editorial comment by no means supported his claims. The following quotation from a periodical of considerable national influence at that time is typical of the sane opinion of the country.

> Under the new law policy-holders are entitled to vote in New York State for directors for mutual companies. This means that men having life insurance will be bombarded with appeals from various committees for proxies which will enable these committees to vote under the law. Some of

*From a letter printed in the New York *Herald* of September 1, 1906.

these reorganization committees may be honorable and public-spirited; some of them are without question disingenuous and untrustworthy. In voting for directors, it appears to us that policy-holders would do well to remember the maxim of Lincoln, "Don't try to swap horses crossing a stream." Our advice to policy-holders is to vote for the tickets nominated by the companies themselves. There is every reason why the candidates on these tickets should be men who desire to retrieve the mistakes of the past. They will be men who are familiar with the vast investments and assets of the companies and who have had more or less to do with their present sound financial condition.

When the new laws have been in operation for a year, the public will have had an opportunity to study the practical effect of their position, and can form a better conception of the theoretical questions which we have enumerated than it can in the heat and stress of a few weeks' election campaign. After a year's trial of the new system it will be time enough to determine whether everybody connected with life insurance in the past ought to be turned out of office and the vast funds accumulated put into the hands of an entirely new and unknown set of men.*

The election was long drawn out and the Inspectors of Election did not make their final return until June 17, 1907. Fortunately the policy-holders appeared to have shared the opinions expressed in the foregoing newspaper article rather than the inflammatory views of Mr. Untermyer. The "International Policy-holders" tickets in both the New York Life and the Mutual Life were overwhelmingly defeated. Representatives of Mr. Untermyer's Committee were afterwards in-

*_The Outlook_, June 9, 1906.

dicted for tampering with the ballots but the indictments were finally dismissed.

In his attack upon the New York Life Mr. Untermyer, not content with appeals to the policy-holders by means of circulars and newspaper articles and interviews, tried to reach them through the courts. In December, 1906, Stephen Farrelly, a policy-holder of the New York Life and an important executive officer of the American News Company, brought a suit in the Supreme Court of the State of New York against the New York Life Insurance Company and some of its Directors and officers to estop them from pursuing certain alleged improper methods to promote the election of the "Administration Ticket" for Trustees. The records of the case are very voluminous and at the time the suit created a great stir in the insurance world and an atmosphere of extreme tension in the Home Office. Today they are important in a historical record of the Company only because of the brevity and conciseness of the opinion of the presiding judge, Judge Victor J. Dowling, who in a comparatively few words dismissed the charges of the plaintiff and completely exonerated the New York Life. As has already been said, the plaintiff was Mr. Stephen Farrelly, but the court record shows that his counsel was Samuel Untermyer, although there is nothing in the record actually to prove that Mr. Untermyer was the instigator of the suit.

In an affidavit which forms part of the record of the case, Vice President Thomas A. Buckner stated that the following instructions had been sent to the entire agency force:

> No individual connected with this Company, either in the capacity of a salaried employee or in the capacity of an agent on commission, is required

to vote for or work for the Administration Ticket or the election of any candidate of said ticket; nor, on the other hand, is anyone prohibited, who so desires, from voting for or working for the International Committee Ticket or any candidate thereon, provided he does so at his own time and expense. The Company does insist, however, that none of the funds or property of the Company shall be used in connection with electioneering for either ticket and that none of the time of its salaried employees shall be devoted to such cause. Individuals connected with the Company may do as they please in their own time and at their own expense. Please see to it that the letter and the spirit of these instructions are carried out. Salaried employees must hold themselves neutral on the subject during business hours and give their time and attention strictly to the affairs of the Company. In furnishing information to policy-holders inquiring concerning the election, strict neutrality must be observed.

Mr. Darwin P. Kingsley, then a Vice President of the Company, in an affidavit which forms part of the official record of the case, made among other statements the following:

Ever since the announcement of the intention of the so-called International Policy-holders' Committee to put up a list of candidates for Directors, the Company's [that is to say the New York Life's] attitude toward their said action has been to recognize them as representing policy-holders and facilitate their work wherever it could whether such action was required by law or not. [Having confirmed this statement by embodying in the affidavit correspondence with the Chairman of the International Policy-holders' Committee, Mr. Kingsley then proceeded to say:] Mr. Sam-

uel Untermyer, the Attorney for the Plaintiff herein, is general counsel for said Committee and is the real, active force back thereof. He is the real organizer thereof, and announced himself as said Committee's counsel long before said Committee was organized and long before it had ever held a meeting. . . .

Said Untermyer before the organization of the International Policy-holders Committee, under the name of counsel for such Committee, repeatedly and almost daily caused to be published in the public press attacks in one form or other about the management of the Company, and under date of July 9, 1906, said Committee caused to be mailed to each of the policy-holders of this defendant Company an address containing numerous false and misleading statements about the Company and its management. . . . [After detailing some of these alleged false and misleading statements, with regard to which Judge Dowling said in his opinion, "Plaintiff has been unable to substantiate these charges by proof," Mr. Kingsley continued:] This defendant has repeatedly sent to the several members of said International Policy-holders' Committee indisputable proof of the falsehood of the statements published in the public press by their said Committee about said Company and its management, and yet in no instance did any one of said Committee undertake to correct the same, nor, except in the case of two or three members of the Committee did any one of them ever do the management of the Company the courtesy of acknowledging the receipt of such information.

Moreover, this defendant communicated with sundry members of the Committee, especially its Chairman, and invited them and each member of the Committee to come to the Home Office of

the defendant Company there fully to investigate its affairs and management, and notified them that the officers of the defendant Company stood ready, at any time, to answer any questions of the Committee and if they did not care to come to the Company's offices, said officers would come to them for such purpose, and also offered them every facility at the Company's command to obtain any information they desired, and yet, no one of said Committee ever accepted said invitation or made any inquiry of the Company, except Bishop Charles C. McCabe, who came to the Company's Home Office and made inquiry into its management and thereafter wrote the Chairman of the Executive Committee of said Committee a letter in which he said,—"I am satisfied that it is not possible to nominate Trustees who under the existing circumstances could better conserve the great interest of the policy-holders than those recently named on the two administration tickets." Thereafter, at their next meeting said Committee, on account of said letter, dropped said Bishop McCabe from their membership.

If any reader of these pages feels that too large an amount of space has been given to a narrative of the attempt of Mr. Untermyer and his Committee to obtain control of the New York Life he is asked to remember that many of the executives of the Company whom Mr. Untermyer sought to depose are today the responsible administrators of its affairs and its policy-holders are entitled to full knowledge of the spirit and motives which actuated them in what was at the time a life and death struggle.

The historical aftermath of the Armstrong Investigation is familiar to all insurance men. It revealed and corrected some abuses in the domain not only of insur-

ance but of financial and commercial enterprises, and set precedents of far-reaching importance in the conduct of public and quasi-public utilities. Its general effect was useful but, as often happens in waves of reform, it culminated in insufficiently considered legislation. Mr. McCall's health broke down under the strain. He resigned from the presidency of the New York Life, was seized with a fatal illness and died on February 18, 1906. The greatest work of his life, he felt, had been misjudged and misinterpreted and it is no mere figure of speech to say that, spiritually, he was put on the rack and torn limb from limb. His labors on behalf of the Company and the welfare of the policy-holders were unselfish and arduous, their effect has been of enduring benefit, and his memory is justly cherished by his associates. The New York Life is fortunate in having the valuable and continuing influence of his name and knowledge of the intricacies of life insurance in the person of his son, John C. McCall, who is one of the active Vice Presidents of the Company, and who possesses his father's characteristic sense of fairness in dealing with difficult situations involving either employees or agents or policy-holders.

The final report of the Armstrong Committee, published on February 22, 1906 contained this significant paragraph regarding the New York Life:—

> There is no ground known to the Committee for questioning the soundness of the Company. It is absolutely able to meet its engagements and the serious abuses which have been disclosed have not affected its solvency. As in the case of the other companies, however, increasing volume of assets and magnitude of business are frequently pointed to as sufficient criteria of prosperity without due attention to the importance of economy

of administration and the resulting returns to the policy-holders.

It is apparent from the foregoing paragraph and from the text of the Committee's Report to the Legislature that they and their guiding spirit, Mr. Hughes, believed that the errors and abuses which had been disclosed by the investigation were chiefly due to the magnitude of the three leading companies. In their report the Committee made this perfectly clear. Among other things they said this:—"The business of the Mutual, the Equitable and the New York Life has grown beyond reasonable limits. . . . No useful purpose will be served by their becoming larger . . . and their magnitude, if permitted to grow unrestricted, will soon become a serious menace to the community." The Committee manifestly entertained the mistaken notion that badness is an inevitable element of bigness. Therefore, while the legislation which the Committee proposed, and which was enacted by the Legislature, provided some very desirable reforms, its basic purpose was to limit the size of certain New York companies by restricting the amount of business they could do in any one year. President Kingsley at the time translated the complex legal language of this provision of the Armstrong legislation into these simple terms:—

> Limitation of new business which the companies may do in any calendar year, by a sliding scale, the large companies being restricted to a small percentage of their whole business, and no company allowed to do any new business of over one hundred and fifty million dollars.

There has been scarcely a year since 1906, under these restrictions, in which the New York Life would not have been prevented from writing any new business

at all during the final months of the year. This would, of course, have completely disorganized the Agency System and would thus have crippled if not destroyed the efficient service of the Company to its policy-holders. It gravely affected the Company's activities for about three years. Succeeding legislatures have modified these radical restrictions and now the New York Life, as well as other companies, is legally permitted a reasonable ratio of annual growth, although there is still something to be desired in the removal of too rigid and unnecessary limitations of business.

No one, least of all the officers of a great life insurance company, can object to the most careful governmental scrutiny and supervision of every transaction that concerns the personal and property rights of the policy-holders. But artificial restriction is not safeguarding the policy-holder; it is interfering with his welfare. If life insurance is a good thing too much of it cannot be written by open and above-board methods. If it is a bad thing none of it should be written. There is no middle ground. The legislature might just about as logically and wisely say that, because there are some quacks, no licensed physician shall attempt to cure more than a fixed number of cases of illness in a calendar year.

The rules and regulations of the New York Life were modified and strengthened to meet the new era of strict public accountability created by the Armstrong Investigation, and Alexander E. Orr, a fine representative of the old school of New York merchants, President of the Board of Rapid Transit Commissioners, which built the first subway, a Director in the New York Life and in many public institutions, was elected President *pro tem* in January, 1906. He served for a year and a half until at his suggestion and request Darwin P.

Kingsley, at that time Vice President of the Company, was elected President on June 17, 1907.

It required some courage and determination to assume the responsibilities of the headship of a great Life Insurance company in the City of New York at that time. The sensational features of the Armstrong Investigation, exaggerated and exploited by gossip-mongering newspapers, had put the officials of the prominent life insurance companies in the class of suspects. Leading citizens fought shy of associating themselves with a business which had been held up to such scorn. Mr. Kingsley made no excuses and uttered no complaints but set himself to work to rehabilitate the New York Life in public esteem, with what success the readers of this volume will be cognizant. But on October 11, 1916, nearly ten years after his election, he revealed between the lines of a minute offered to the Board of Directors some of the trials through which he passed "in the dark days of 1906." The minute recorded the death of John Reid, a well known merchant of New York and a member of the Board, and the following excerpt is quoted from it:

> The mortal body of our fellow Director John Reid was laid to rest on Tuesday, the 10th instant. I present this Minute personally and ask its adoption because of my deep respect and profound affection for him. John Reid was a rare man. He had that human weakness which made him capable of great devotion to his friends. His loyalty was complete. He never wavered. In the dark days of 1906 when we found difficulty in making up the Administrative Ticket, I asked Mr. Reid over the long distance telephone if he would accept a place on that Ticket. The connection was poor and he heard me indistinctly; but he gathered that

there was an important service he could render me. He immediately replied: "I don't know just what it is you want, but if I can serve you use my name in any way you like."

I had other friends from whom with better reason I asked the same favor; but, in the language of one of Christ's parables, they all—or nearly all—began to make excuses. One had "married a wife"; another had "bought a piece of ground"; another had "bought five yoke of oxen." As the world wags, these were all good reasons; I could not then and do not now criticize them.

But it was different with this sturdy Scot! His faith went with his affection. He did not bestow his friendship carelessly; he was a shrewd critic of men; but once he approved a man his first impulse was service and sacrifice if need be.

It was not long before the Kingsley Administration began to win the confidence both of the public and of the government officials who were supervising the business of life insurance under the Armstrong Laws. Four years after Mr. Kingsley assumed the presidency of the New York Life, the Superintendent of Insurance for the State of New York, Mr. William H. Hotchkiss, attached to the official report of his department a voluntary comment on the character of the Company:

It is thought proper to file with the report on the examination of the New York Life Insurance Company, dated November 21, 1911, the following memorandum:

The examination of this Company, now completed, is the second since the enactment of the amendatory laws of 1906. It is even more complete and painstaking than was the examination of three years ago.

The New York Life is one of the great life in-

surance companies under the supervision of this department. . . . As of December 31 last this Company held in reserve for its policy-holders—including deferred dividends—upwards of $600,000,000, and in contingency and special funds for the protection of policy-holders nearly $18,000,000. It does business generally in the United States and in 39 principal nations of the world. It has approximately 996,000 policy-holders.

The mere recital of these figures indicates the magnitude of the task committed to the examiners and gives emphasis to the fact that after an examination covering seven months the examiners concluded: "The final results of this examination show that the work of the Company is done efficiently and economically; its claims are paid promptly; its policy-holders are treated fairly; its dividends are apportioned and paid without discrimination; and the Company complies with the requirements of the law and the rulings of the supervising authorities in both the spirit and the letter. . . ."

The impression made by the examiners' report was considerably strengthened by a personal inspection of the Home Office of this Company made by me shortly after such report was completed. Evidence of economy, both in the number of employees and in the space occupied, as well as in the use of labor-saving devices of various kinds, was noticed. The efficient organism of this great institution, centering as it does in its so-called "Office Committee" was everywhere evident. An almost over-scrupulous desire to comply with every statutory requirement or departmental regulation was also noted. Indeed, for general Home Office efficiency, for watchfulness over the little things that go to increase a company's expense ratio, for accuracy of record and in accounting methods, and

> for the full observance of the law, this company is entitled, not merely to the commendation given it by the examiners, but to the official approval of this department here recorded.

Such a citation of merit would be significant in any event, but it carries special value from the fact that Mr. Hotchkiss, an honored member of the New York Bar, was appointed Superintendent of Insurance by Governor Charles E. Hughes for the express purpose of seeing that the Armstrong insurance laws were administered in their fullest integrity.

Antedating this memorandum there is correspondence on file at the Home Office between Superintendent Hotchkiss and President Kingsley, which not only emphasizes the economic unsoundness of some of the so-called Armstrong Laws (notably Section 96), but shows how difficult Mr. Hotchkiss' problems were. He was called on as a public official to enforce laws which were passed in a period of some hysteria, laws with the enactment of which he had nothing to do, laws which threatened seriously to cripple some of the companies of New York State. The Superintendent at the time of his appointment could hardly have avoided being touched with the prejudice that existed against life insurance and against the New York Life in particular, but he impartially considered the vigorous letters of President Kingsley who specifically denounced the discriminatory sections of the laws, and he responded intelligently and helpfully to the appeals that President Kingsley made.

It would be difficult to over-estimate the moral and economic support which the Company received from the Agency Force during the terrible experience it went through in the Armstrong Investigation. Although the honor and integrity of the Company and its execu-

tive officers were attacked in every possible way not a single agent wavered in his faith or left the service. It is the morale of the private soldier that makes a victorious army. The morale of the Agency Force of the New York Life was in the Armstrong days, and is at the present time, one of the Company's most valuable assets and is to the policy-holder an unfailing guarantee of the continuing reliability and service of the Company. It was a fortunate thing that after the Armstrong revolution a man was chosen as the Company's chief executive who had been a Superintendent of Insurance in Colorado and an Inspector of Agents in New England for the New York Life. He was familiar with the underlying fact—to which he has often called attention in public and in private—that the individual agent is *the Company* to its clients.

To recur for a moment to the limitation of business imposed by the first Armstrong bills it will be useful and illuminating to quote here some passages from the address of President Kingsley to the Board of Directors at the annual meeting of May 9, 1916, the tenth anniversary of his election as President:

> When this Board ten years ago within a few days, chose me as President of the New York Life, I reviewed the situation of the Company and of life insurance as I saw it and stated that I believed that size in life insurance would ultimately prove to be an advantage, not merely because size means strength and permanency but size means economy.
>
> On the intervening occasions on which you have reëlected my associates and myself, I have touched on some of these facts so that it will not be necessary to repeat them now. But you will probably be surprised yourself when I tell you that in fundamentals as much work has been done,

and as much has been accomplished, in those ten years as was done and accomplished in the previous sixty-two years of the Company's life.

Divide the history of the Company into two periods; include in the first the work and the accomplishments from 1845 to 1906 inclusive, and in the second record the work from 1907 to 1916 inclusive, and we get some rather startling results.

Mr. Kingsley then went on to point out that the Company's total receipts from 1845 to 1906 were in round figures $1,250,000,000, while in the ten years from 1907 to 1916 the total receipts were $1,177,000,000. For the first sixty-two years of the Company the accumulated assets amounted to $466,000,000, earning 4.29%, while in the ten years following the Armstrong Investigation the assets had grown to $800,000,000 and were earning 4.54%. He called attention to the fact that "the rate of mortality in 1916 was 71% of the expected, the lowest rate experienced by the Company since it began the preparation of a gain and loss account about twenty years ago." These and similar figures demonstrate, said Mr. Kingsley, that the Company's striking growth in size had been accompanied by an equally striking growth in efficient and economical management. He then continued:

The limitation on new business fixed by the statutes of New York still rested heavily upon us when I was first elected President, so much so that the outstanding business of the Company, then decreasing, continued to decrease and reached its lowest point in the year 1908. Since then we have succeeded in getting modifications of the law so that for the last half dozen years we have been able to write all the business we cared to write.

Thomas A. Buckner
Vice President
Elected May 13, 1903

THOMAS A. BUCKNER

Mr. Buckner was born at Bloomington, Illinois, January 18, 1865; was educated at private schools and began business life at the age of fifteen as an office boy in the office of his father, Walker Buckner, who was then General Manager of the New York Life for Wisconsin, Iowa and Dakota. Mr. Buckner was successively office boy, clerk and agent in his father's office, and at the age of twenty-one began field work as an agent in Iowa. In 1890, when the Company began to change from the General Agency to the Branch Office system, Mr. Buckner was made Cashier, and later Agency Director of the first branch office established at Wichita, Kansas. This office was later consolidated with the Kansas City Branch Office with Mr. Buckner as Agency Director. In 1892 Mr. Buckner succeeded Mr. George W. Perkins as Inspector of Agencies in the Western Department, with headquarters at Chicago; in 1898 he was transferred to the Home Office and made Superintendent of Agencies; elected Fourth Vice-President December 12, 1900; Vice President May 13, 1903. Mr. Buckner became by election a Director of the Company April 10, 1901, and served until the expiration of his term June 17, 1907. He was again elected a Director on June 10, 1925, and is now a member of the Board. The interim in his service as a Director was due to the fact that when the "Administration Ticket" was nominated at the time of the Armstrong Investigation of 1906 it was thought desirable that no Executive Officer but the President should be a nominee.

Mr. Buckner's long and intimate experience, from boyhood up, with what ex-President Coolidge has called the missionary side of life insurance has given him an unsurpassed knowledge of both the needs of the insured and the problems of the insurance salesman. This knowledge, combined with his sympathetic understanding of human nature and his wisdom in dealing with business problems, has enabled him to become the directing spirit of one of the greatest selling organizations of the world. Apart from his unique equipment as Agency leader, Mr. Buckner has an analytical mind of a high order. His counsel is eagerly sought by his associates in all departments of the Company.

The European war cut off about $35,000,000 new business a year. Notwithstanding all these handicaps, the business the Company had paid for in seventy-two years, it totals approximately $2,000,000,000.

A curious fact which has come out from the study of these figures is that the total income of the company during its existence is just a little less than its present total outstanding insurance. So far as I know there is no natural relation between the two facts, but that the Company has received nearly $2,500,000,000 since organization and has in securities now less than $900,000,000 goes far toward answering the not unnatural question that people sometimes ask about what the Company does with all the money.

There are few types of institutions in which money is more fluid and active than in a life insurance company aggressively conducted. The securities in the Company's vault may seem to be, and in fact may be, static in their character. But in the lives of the people throughout the organization of the institution all over the world, the transactions of the Company keep its money through payments to policy-holders, interest and other avenues, in a constant condition of activity. In fact, referring to the usefulness of money as a circulating medium, I question whether any money held by any type of institution is more completely fluid and active. The nearly nine hundred millions in the Company's vault are represented merely by instruments recording obligations and promises to pay. There is never any considerable sum of actual cash in the Company's vaults, and the actual cash in the Company's depositories is only such as is necessary in the process of investment for the Company to maintain itself in a stable condition. Four days ago I reached my sixtieth year. I have

served the Company for nearly twenty-nine years. Vice President Weeks has served the Company fifty years; Vice President Buckner thirty-seven years; Treasurer Shipman twenty-four years; Second Vice President McCall eighteen years; Second Vice President Buckner thirty-two years; Secretary Ballard twenty-four years. Your Executive Officers combined represent two hundred and fourteen years of service.

Time will not be denied, yet no one of us will concede that he is old. Serving in so worthy a cause, under such confidence and sympathy as you extend to us not only adds to the joy of service but robs age of its terrors.

On the occasion of my first election as President, I think I stated that I was one of the few men who had had the rare experience of reaching the very height of his ambition. I have enjoyed that peculiar sensation for ten years. It is a sensation that not very many men are ever privileged to feel. That may be because most men are never satisfied, but most men I think would be satisfied with the Presidency of the New York Life.

If Mr. Kingsley were to make a similar comparison today when this page is being written [June 20, 1929] the figures would be still more impressive and quite as favorable and his satisfaction in what the Company has been enabled to achieve for the public good would be as justifiable.

Mr. Kingsley's election in 1907 marks the beginning of a new era in the history of the New York Life, during which its character as a public service institution has been greatly emphasized and strengthened. The record of the Kingsley administration has been noted in various pages of this volume. It is sufficient to say here that one of its most perplexing problems was the

complicated readjustment made necessary by the European War of 1914, which suddenly shook the world like a gigantic international explosion. Some of the effects of the World War on the New York Life will be related in the next chapter.

CHAPTER X

The World War and Its Effects

No great war of history has come upon the world so suddenly and so unexpectedly as the gigantic conflict precipitated by the assassination of the Archduke Francis Ferdinand of Austria, in the Balkan city of Serajevo, on June 28, 1914. It is easy now to see that a long chain of racial, economic and political antagonisms made the conflict inevitable. The assassination of the Archduke was simply the match that touched off the explosives which had been dangerously accumulating for generations. But it was believed by some of the greatest statesmen of the time that the conflict could be avoided. During the month of July, 1914, agitated efforts were made by England to settle on a peaceful basis the quarrel between Austria and Serbia, which the assassination of the Archduke had brought to an acute stage.

The first overt act of the tragedy was the official declaration of war upon Serbia by Austria on July 28, and this was followed on August 1 by Germany's declaration of war on Russia. Even then it was hoped that belligerent operations might be confined to northern and eastern Europe, but the invasion of Belgium by Germany of necessity brought in France and England and the world was at once in flames.

That is to say, the world with the exception of the United States. The President of the United States, Woodrow Wilson, began straining every nerve to keep this country neutral. This is not the place to enter into a discussion of his motives or his methods. That

judgment will be pronounced by later historians. It is sufficient to say here that he did keep the country out of war for two years and nine months, that he was re-elected President in 1916 on the platform "he kept us out of war," and that for more than a year after the outbreak in Europe he deprecated and discouraged every effort to prepare the country for participation in the struggle, into which it was finally and irresistibly drawn. This was not the attitude of the New York Life in dealing with its own war problems.

It may seem to the reader that to extol the course of the New York Life in relation to the World War as an illustration of what might wisely have been done by the political executives of the United States is an exaggeration of its historical importance. It is a singular and interesting fact, however, that the history of this Company is so closely interwoven with the history of the country, that the operations of the political corporation, which is called the United States, and the economic corporation, which bears the name, New York Life, are mutually illuminating. It has already been pointed out, not without reasonableness it is hoped, that if Congress, in the reconstruction days after the Civil War, had been actuated by the spirit and had followed the methods which characterized the New York Life under the guidance of its President, Morris Franklin, the American people might have been spared some dark blots in their history. The same deduction may be made from the attitude of the New York Life during the World War. To facilitate a correct appreciation of the wise forethought underlying the course of the New York Life in this respect let us consider, first, the effect of the World War on the Company at home and, second, how the great conflict completely revolutionized the Company's organization abroad.

At the monthly meeting of the Board of Directors

of the New York Life held on August 11, 1914, eleven days after Germany had declared war on Russia, the European situation was analyzed with great care, and detailed plans were made—as far as then could be made—regarding the course which the New York Life should pursue. The Office Committee reported that the Company's offices in Europe were in a sound condition to face the "pending crisis"; that the Examiners of the Insurance Department of New York State had just completed an examination of the Paris Office and "much satisfaction was expressed by them with the manner in which the business was conducted"; and that when the Examiners were asked if they desire to examine anything in the Berlin Office they replied that the complete order which they found in the Paris Office made any further inspection of the European business of the Company unnecessary. At the same meeting the Office Committee reported to the Directors that "more stringent regulations have been adopted for the treatment of Europeans now residing in the United States and Canada who might be called into active service of their countries," and that "for the time being, the acquisition of new business in the territory of the Central Powers has been stopped."

But this was not all. President Kingsley presented a series of preambles and resolutions which were unanimously adopted, authorizing the executive officers to issue powers of attorney granting "extraordinary powers to the Company's principal representatives" in "Russia, Germany, Austria-Hungary, Great Britain, France, Belgium and possibly other countries of Europe." In requesting the Board of Directors to approve these extraordinary powers which would enable the executive officers to act immediately in a sudden emergency Mr. Kingsley gave a list of the countries at that time involved in the war and pointed out that

"other nations throughout the world, while remaining neutral are nevertheless affected by the great conflict." He reviewed the Company's obligations to foreign policy-holders, its vital interests in the belligerent countries, the large amounts of foreign bonds and securities which it owned and which were deposited abroad, and asked

> that the President and Treasurer be, and they are hereby authorized and empowered to buy and sell exchange to any foreign country; to borrow money on the securities of the New York Life Insurance Company, whether in possession of the Company in the United States or deposited with any foreign government; to sell and deliver securities belonging to the New York Life Insurance Company, whether located in the United States or in any foreign country, and to do and perform all other things or acts which may become advisable or necessary for the protection of the Company's interests, and to enable it to fulfill its obligations both to all foreign governments and those arising under its policy contracts or any other obligations now binding upon the Company, or which it may hereafter assume.
>
> The President and Treasurer shall report to the Finance Committee and to the Board from time to time all acts and things which the President and Treasurer may have done or performed by virtue of this resolution.

From this time on to the end of the war in 1918 there was scarcely a meeting of the Board in which some action was not taken with reference to the situation in Europe and its influence on the trend of events in the Company and the country at large.

At first the European conflagration was looked upon by the majority of Americans merely with curiosity. With some notable exceptions they felt themselves to

be no more than bystanders interested in a gigantic spectacle. The inexorable laws of international economics were not then sufficiently understood even by successful business men to cause any great apprehension in this country as to the effect of the European struggle upon the United States. The reader has only to turn back in this volume to the chapter on the Civil War to get an impression of the psychological attitude of the American people in the closing months of 1914 and the early part of 1915. When the Civil War broke out it was expected that it would be over in ninety days. Few American citizens—even few American statesmen —anticipated that the war of 1914 would be of long duration or would actively extend beyond the limited area of Central Europe. It is, therefore, all the more to the credit of the executives in charge of the New York Life that they proceeded on the assumption that sooner or later the entire civilized world might be involved. The Company began immediately to husband its resources. It sold securities and even borrowed money on collateral, thus accumulating the unusual sum of $13,697,000 of cash in bank at the close of 1914. In explaining this circumstance to the Board of Directors on January 13, 1915, President Kingsley said.

> It is doubtful whether this institution in all its career has presented an Annual Statement to the world under conditions as unusual as those which existed at the close of 1914. . . . The chief difficulty that confronted me and my associate officers was that there were no precedents for these conditions. It was practically impossible to read the sign of the times. What the conditions in Europe meant with regard to the New York Life no one could clearly foresee. Therefore, it became the policy of the Finance Committee immediately to make itself as strong as possible in cash and at the

same time promptly to meet all its just obligations. . . . That we sold securities when, as it now appears, we really did not need to sell, and that we borrowed more money than we really needed to borrow, are neither one of them facts that cause me regrets. I am sure that you all share that sentiment. Safety first is a motto which applies with especial force to an institution like this. . . .

A life insurance company that is not affected in any way by this fearful condition in Europe is, in the nature of things, a company of relatively small importance. The New York Life is so world-wide in its operations that nothing can happen anywhere in the civilized world that really involves the interests of humanity that does not become a matter of concern to us. The important question is not that these things happen, but how the Company shall have discharged its obligations after the event has transpired. . . .

I present this report feeling no particular apprehension about the year 1915. Of course with such conditions existing in Europe, no one can foretell what may or may not happen; but, barring some unusual development of international savagery in Europe, or the almost impossible contingency that this country should become involved in the existing war, I see no reason why the Company should not be able to fulfill every obligation during the year, and incidentally have surplus money to invest running into very large figures.

On the same date on which President Kingsley made the foregoing report to the Directors he said in an address distributed to the policy-holders:

> It has been the good fortune of our membership to relieve suffering humanity, without charity, over a wider portion of the earth than ever before—perhaps to a degree never before equaled by any human institution.

> In life insurance as exemplified by the New York Life there is more than a germ of that world federation of peoples by which alone this European Horror can be so ended that it will never be repeated.
>
> There have been years in which the New York Life did more business than in 1914, but there has never been a year in which it did so much good.

A year later he informed the policy-holders that the death losses for 1915, including all casualties from twelve months of war had been only 73% of the "expected,"—the expected being the number of deaths calculated beforehand by the actuaries according to the accepted tables of mortality. But he warned the policy-holders not to be too optimistic. "A modern war," he said, "cannot be localized. Electricity, steam and the partial conquest of the air have made the world so small that any great international upheaval shocks the whole of civilization. War under such conditions takes its toll impartially, and in these days the nation which is an 'innocent bystander' suffers proportionately with the belligerents."

The Company was not content merely with financial precautions. Convinced by the sinking of the *Lusitania** in May, 1915 by a German submarine that the country could not long remain an "innocent bystander" the executives of the New York Life threw their influence vigorously on the side of preparedness for war

*In the sinking of the *Lusitania* "more than one hundred American citizens perished" (Secretary Lansing). On August 23, 1918, the late Judge Julius Mayer (an American jurist of German extraction) in an Admiralty suit occasioned by the tragedy handed down from the bench of the United States District Court an opinion in which he denounced the sinking as "an inexpressibly cowardly attack upon an unarmed passenger liner" and "one of the most indefensible acts of modern times" (251 Federal Reporter p. 715).

at a time when the Government at Washington still hesitated. Training camps, known as the Plattsburg Camps, were established by General Leonard Wood although American citizens were officially urged to remain neutral not only in act but in thought. Nevertheless on April 4, 1916, the New York Life committed itself officially to the work of practical preparedness by the following letter which was submitted to and approved by the Board of Directors:

Enrollment Committee
Military Training Camps Association
31 Nassau Street
New York City

Gentlemen:

The undersigned corporation will—in the absence of unforeseen circumstances—permit as many employees as conditions will warrant to attend the United States Military Army Training Camps for one month during the year 1916, without loss of compensation and without prejudice to tenure of position or opportunity of advancement.

New York Life Insurance Company

By D. P. Kingsley, President

Thus the more than ten thousand employees of the Company, to say nothing of its hundreds of thousands of policy-holders were inspired by the example of a great social service organization which, while its business was and is founded on peace and good will, believed that justice and human rights are to be defended, by force of arms if necessary.

The result was that when the United States declared war on Germany in April, 1917, the entire New York

Life organization in the Home Office and in the Field was mentally and physically fitted to meet the crisis. At the beginning of 1917 the position of the Company was stronger than ever because of the precautionary measures which have been outlined in the foregoing pages. During 1916 the Company had written in the United States alone nearly two hundred and forty millions of new insurance; by the establishment of scientific actuarial and medical standards had lowered its percentage of mortality; by economies of administration had reduced its expense rate; by judicious investments had increased its interest rate and thus had added nearly fifty millions of dollars to its assets.

When the United States entered the war the Company redoubled its efforts to put its house in order. A declaration of war by Congress against Germany was proclaimed by President Wilson April 6, 1917. Four days later, on April 10, Vice President Buckner recommended, and the Office Committee and Board of Directors adopted the policy of paying in full salaries of Home Office and Branch Office employees "called or volunteering for military or naval services—where such employees have been one year or more in the service of the Company—less such sums as such employees received as compensation from the Government for such service." Drafted or volunteering employees who had been less than one year at work for the Company were to receive one half their salaries. Later on when the Government enacted the general draft measure, exempting from conscription men otherwise qualified who had dependents relying upon them for support, the Company discontinued its full compensation except to those who had already been enlisted or conscripted. But it repeated its promise to take back into its employ all employees in the military service of the

Government when they were released from that service and it also recorded in the Minutes its determination to consider on its merits each individual case of distress of the dependents of employees engaged in military service in the war. Members of the staff thus enlisted and responded to the draft with confidence that they would be "backed up" at home. Indeed, on the first of January, 1918, President Kingsley expressed the sentiments of the executive officers by issuing an address to the policy-holders in which he said:

"We urge all policy-holders to buy War Savings and Thrift Stamps. We have directed all agents to take no application for insurance from a soldier or sailor unless the applicant already has the limit with the Government War Risk Insurance Bureau. *Back up the Government.*" At the same time he reported to the Board of Directors: "The Officers have endeavored in every way to support the Government's program. The head of our Supply Department is now a captain in the United States Reserves and in charge of an important section of the Ordnance Department in Washington; Mr. Arthur Hunter, Actuary of the Company, is giving a considerable part of each week as an adviser to the Board having in charge the government plan for insuring soldiers and sailors. Superintendent of Agencies, L. Seton Lindsay, has been active in the preliminary organization for the sale of the War Savings and Thrift Stamps. Vice President Buckner has especially emphasized the necessity of endorsing and supporting the program of insurance for sailors and soldiers. We have every reason to believe that the attitude of the Company in these matters is highly appreciated in Washington."

It is impossible here to give anything but the merest summary of the active service in the World War of

members of the New York Life organization. There were 702 of them in the various branches of the army or navy, most of them young and just beginning careers full of the joy and hope of life. The record of every one of them is honorable and deserves the recognition which the Nylic Post of the American Legion gives to all service men every year on Memorial Day. But any history of the New York Life should contain the names of the men who gave their lives for their country or who were especially honored for distinguished service. Those who died in service were:

John C. McCabe—Clerk in Actuary's Department, 107th Infantry, Corporal, Died of wounds in France.

Richard R. Goldsmith—Clerk in Auditor's Department, Infantry, Corporal, Died in English Hospital.

Harry I. Riker—Clerk in Policy Loans Division, Infantry, Private, Killed in Action.

F. Milford Holmes—Agent, Los Angeles Branch, Artillery, Corporal, Died of pneumonia in French Hospital.

Lewis C. Lydike—Clerk in Manhattan Branch, Infantry, Corporal, Died of wounds in France.

Hubbard H. Bahr—Agent, Philadelphia Clearing House, Army, Died in Army Camp.

George H. Edwards—Agent, Seaboard Branch, Army, Private, Killed in Action.

D. U. Cameron—Agent, Winnipeg Branch, Army, Major, Killed in Action.

William E. Murphy—Clerk in Grand Street Branch, Army, Private, Died on ship-board en route to France.

Those who received special distinction were:

Francis J. Brandreth—Clerk in Policy Claims Division, 165th Infantry, Corporal, Croix-de-Guerre.

Fred J. Scheld—Clerk in Actuary's Department, 6th Marines, 1st Lieut., Croix-de-Guerre with one Palm.

Joseph R. T. Ransom—Agent, Memphis Branch, Infantry, 1st Lieut., Croix-de-Guerre.

George Hubbell, Jr.—Law Department, 307th Infantry, Captain, Two citations.

John F. Stamm—Printing Department, 305th Infantry, Sergeant, Citation.

From the heroic side of war we must turn again to the more prosaic but not less important economic side. Mr. Harold Palagano, Treasurer of the New York Life, has prepared a memorandum which shows that up to the outbreak of the war in 1914 the chief investments of the Company were in railroad bonds, municipal bonds, real estate mortgages and individual loans to its policy-holders in the form of policy loans and premium notes. At the outbreak of the war in August, 1914, the New York Stock Exchange closed, bond dealings ceased, and no one knew what prices represented reasonable value for securities. For several months the Company made no purchases of bonds, although it continued its investment in mortgages. During this period, in order to be in a position to meet all possible demands for cash, the Company borrowed four and one half millions of dollars from the banks, giving bonds as collateral, a transaction already referred to. For the Company to be the borrower and not the lender was an unusual reversal of its position in its transactions, and was necessary only because of the restricted or rather non-existent market for bonds. All these loans, however, were paid off by the end of

the year. When the United States entered the war the Company immediately "backed up the Government" by making large subscriptions to the successive issues of Liberty Bonds and under these subscriptions was awarded at various times bonds amounting to nearly ninety millions of dollars. It subsequently purchased additional bonds until the amount which it owned as of January, 1922, was over $121,000,000. Moreover the Company made arrangements to enable its employees and agents to subscribe to Liberty Bonds and pay for them in installments. Several thousand individuals in this way subscribed to about $2,000,000 worth of various issues. The purchase of these Government bonds, while not with the primary purpose of profit, has proved profitable, for the credit of the United States Government has risen since the World War as it did after the Civil War.

Within the past quarter century the Company has been called upon to meet what from a life insurance standpoint are probably some of the most adverse circumstances possible. Within that period there has occurred a financial crisis (panic of 1907); the greatest of all wars and its aftermath; and an epidemic of unprecedented proportions (the influenza epidemic of 1918). It is testimony to the financial stability of the New York Life that not one of these events imposed any excessive strain upon the Company in successfully meeting each one of its obligations.

At the end of 1919, when actual material effects of the war could be measured, it was found that the Company was in a more prosperous condition than ever. That year was for the New York Life in many respects the greatest of its history up to that time. Its new business for 1919 ($531,000,000) exceeded the new business written in any previous year by nearly

CALVIN COOLIDGE
Elected a Director May, 8, 1929

CALVIN COOLIDGE

The thirtieth President of the United States, was born in the village of Plymouth, Vermont, on July 4, 1872, which date, by a not insignificant coincidence was an anniversary of the birth of the Republic and of the death of his two great predecessors in office—John Adams and Thomas Jefferson. He was graduated from Amherst College in 1895 with the degree of A.B., and has received the degree of LL.D. from that Institution as well as from Tufts, Williams, Bates, Wesleyan and the University of Vermont. On graduating from Amherst, he studied law with the firm of Hammond & Field, in Northampton, Massachusetts, and began practice in Northampton in 1897. His first elective office (1899) was that of councilman of the City of Northampton. He became successively City Solicitor (1901); Clerk of Courts, Northampton (1904); member of the lower house of the Massachusetts Legislature, or "General Court of Massachusetts" as it is known in that commonwealth, (1907-08); Mayor of Northampton (1910-1911); member of the Massachusetts State Senate (where he served for two sessions as president of the Senate, 1912-1915); Lieutenant Governor of Massachusetts (1916-17-18); Governor of Massachusetts (two terms, 1919-20); Vice President of the United States (1921-23). On the death of Warren G. Harding he succeeded to the presidency, the oath of office being administered by his father, a notary public, at the paternal home in the village of Plymouth. He was elected President of the United States in November, 1924, and would have been re-elected in 1928, but for his historical announcement, "I do not choose to run." No President—not even Jefferson or Lincoln—has held a more democratic belief than he that the source of governmental power and authority is in the people. Since his retirement from public office he has said: "We draw our Presidents from the people. It is a wholesome thing for them to return to the people. I came from them. I wish to be one of them again." At the invitation of President Kingsley Mr. Coolidge accepted a nomination to the Board of Directors of the New York Life in the spring of 1929, and was elected to the Board on May 8, 1929. His letter of acceptance is a document of interest to all life insurance men and reads as follows:

My dear Mr. Kingsley:

Believing that Life Insurance is the most effective instrumentality for the promotion of industry, saving and character ever devised, that a well managed mutual company is a coöperative society for the advancement of the public welfare, and that, as one of the leaders in this national economic movement, the New York Life Insurance Company may justly be called a Public Service Institution, I accept the nomination you have tendered me to become a member of the Board of Directors of your Company and if elected I shall be glad to participate in its administration.

Very truly yours,

Calvin Coolidge

$200,000,000. Its invested assets were rapidly approaching one billion dollars, but it faced the long and painful task of retiring from all foreign countries with due regard to its obligations, with justice to its policy-holders both at home and abroad, and in conformity to the laws and decrees of foreign governments,—all these steps necessarily being taken under the approval of the Company's legal sovereign, the State of New York. If it could have been anticipated that this task would last for ten long weary years the discouragement would have been great. But luckily the human heart is so constituted that it can take up its problems day by day without too great anticipation of the future.

The reader has been told on a previous page that the effects of the war would be considered in two divisions, the effect at home and the effect abroad. It is now time to review what the Company had to do in the foreign field during the ten years following the war.

To most laymen and to not a few insurance men the complexities of conducting a life insurance business in a foreign country are a sealed book. How to understand and obey the financial laws and regulations, greatly varying and often conflicting in different foreign countries, requires both a theoretical and practical knowledge of economics. How to adjust premium rates, for which it is often difficult to obtain sufficient scientific data and experience, requires the most careful mathematical study on the part of the actuary. A man who may be a perfectly good risk at home might run into conditions of climate and disease abroad that would change the whole aspect of the insurance risk upon which his policy was based. As we have already seen, the New York Life in its early days forbade its policy-holders to travel in certain parts of the United States at certain times of the year. With the progress

of medico-actuarial knowledge these limitations as to climate have been done away with in the United States, and now an insured may travel from one end of the country to the other without vitiating or impairing his policy, although there are still some extra hazardous occupations which require an extra premium.

But only an accomplished geographer can appreciate the extraordinary number of countries, whose very names are unknown even to the well-informed, with which the actuary has to be familiar. Mr. Arthur Hunter, Chief Actuary of the New York Life, has recently contributed to the "Transactions" of the Actuarial Society a paper on the problems presented by the requirement of extra premiums for Americans and Canadians residing in tropical and semi-tropical countries. It may interest the layman to know that Mr. Hunter presents a list of one hundred and ninety foreign countries or states or provinces where extra premiums are required on account of living or climatic conditions or the special risk of tropical diseases. Ethnologists and economists predict that the continent of Africa will at some future time be one of the great centers of civilization. Today, however, there are at least twenty-six African colonies or districts under development by British or European colonial officials where, American actuaries are agreed, life insurance policies cannot be safely written without an extra charge.

To such geographical puzzles was suddenly added the complication of war risks. When the New York Life began business it would not insure a soldier or sailor engaged in military service. But actuarial science has now succeeded in mastering the perils of warfare and reducing them to a scientific statistical basis, and policies are issued to military men with a carefully cal-

culated additional premium. The World War, however, was a totally new experience. Mr. Hunter, (who was loaned by the Company to the United States Government for the purpose of aiding in the organization of its War Risk Insurance Bureau), gives the following account of the actuarial problem presented by the European conflict:

> When the war broke out in the early part of August, 1914, the general belief among Americans was that the bankers of Europe would stop it, or that the Socialists in Germany would refuse to serve in a war of aggression. The Company accordingly did not expect the colossal conflict which ensued and was in a quandary when cablegrams were received from all parts of the world, asking what extra premiums should be charged for warfare to old policy-holders with restrictions in their contracts and what extras or limitations under new policies. We had at our disposal the records of the death rate from warfare in all the great wars of history, within fifty years, but they proved to be of little value. We knew that the death rate from disease in campaigns was decreasing with the greater knowledge of sanitation, but that the death rate from battle was increasing with the efficiency of the weapons of war.
>
> The policy provisions for engaging in warfare were different in the different countries, depending upon the conditions. In Russia, for example, provision was made for charging an extra premium, but in Germany the Government insisted that no extra premium should be provided in our policies unless to those who were in the army at the time of application for insurance.
>
> Cablegrams were received in the early days of August, 1914, from our Paris Office, asking what should be done with the Germans who were apply-

ing for insurance and who were likely to be called into service, with the Frenchmen who would naturally be conscripted, with the British who had not yet wakened up to the seriousness of the conflict, and with Austrians, Belgians, and other nationalities. We also heard from the two Southern States of Brazil, largely inhabited by Germans, asking the conditions under which they might volunteer to fight for their Fatherland, and from the loyal Colonies of Great Britain. It is hard for those who were not charged with the responsibility to realize the difficulties of meeting these problems which experience showed were successfully solved.

Other questions arose, such as requests from the involved nations asking for money to grant loans on their policies as many of our insured had to make provision for meeting their obligation when they were called into service by their country.

When our country entered the war a Convention of Insurance Commissioners for the various States recommended a minimum extra premium of $37.50 whether the insured left this country or not, but we elected to charge $100 per thousand for those who went abroad, and no extra premium to those who remained at home in war service. The Company later returned $70 per thousand out of the $100 paid for this hazard.

The Government passed a law called the Civil Relief Act under which those who volunteered for service could apply to have their premiums met by the Government during the duration of the war or the period of their service and for one year thereafter. As the result of this, thousands of policies were kept in force which would otherwise have lapsed, and many death claims were paid to the beneficiaries of those who were in active service and could not have met the premiums when they became due.

Owing to the various precautions of administration and of actuarial calculation enumerated thus far the war losses of the Company were not, in dollars and cents, serious. They amounted in round numbers to $6,700,000.* During the years 1914-18 inclusive, when these war losses were incurred, the total amount paid the beneficiaries on account of the deaths of policy-holders was $150,181,889.30,—that is to say the war losses for these five years were approximately 4% of the total losses. It is striking to record that during the first nine months of 1918 the Company's mortality was unusually favorable. The rate of actual losses incurred to the expected deaths being 61%, which was the lowest in the Company's history up to that date. But in the final three months of 1918 the country was visited by an unprecedented epidemic of influenza. During these three months the influenza killed as many young and vigorous persons in the world generally as were killed by bullets and disease in the four and a half years of the war. The death losses paid by the Company for deaths from this influenza epidemic were in round figures ten millions of dollars or nearly twice as much as the losses sustained by the Company in consequence of the European war in all countries. In summarizing the year 1919, President Kingsley said in his annual address to the policy-holders:

> The wisdom of an adequate surplus in life insurance is now demonstrated. The folly of New York State in imposing a severe limitation on surplus—against which this Company especially protested in 1906 and since—is also demonstrated. Through a period of years the mortality of all soundly conducted companies, in spite of influenza and other unforeseen calamities, will in all likeli-

*From a report of the Loss Committee to the Board of Directors at the meeting of January 12, 1921.

hood come well within the tables; but we now understand that incidents can arise through which mortality may temporarily exceed the provisions of very conservative assumptions. It is comforting to know that neither war nor influenza can make any material difference to you as a member of this Company, because as against such startling incidents this Company long since made abundant provision.

From this there are two fair deductions:

First—Insure—there are just as many and just as sound reasons for insuring your life during days of peace as there are for insuring during times of war.

Second—Insure in companies that have aimed above all things to achieve safety. In these days safety sounds better than cheapness.

The inference is plain. Life Insurance is a protection for the ordinary course of existence and not merely something to be grasped at as a refuge in emergencies.

By the end of the year 1919 the war losses had been practically all settled; the mortality had returned to normal figures after the influenza epidemic; the country had achieved what President Harding called "normalcy" in trade, credit and finance; and the New York Life was thus enabled to mark 1919 in its calendar as the greatest year it had so far experienced. But there still remained before it ten years of the most laborious work so that it might wind up its business in foreign countries and retire from them with honor and justice. The complications of that retirement required an incredible amount of correspondence and long personal interviews in Europe with governmental and insurance officials. How these legal and political problems were solved has been described to the Board of Directors in a report by Vice President Walker Buck-

ner, who has had general executive charge of the work.

"By the end of the year 1925," Mr. Buckner's report states, "the Company had completed arrangements by which practically all of its business outside of the United States and Canada was either reinsured or transferred, except its business in the former Russian Empire which was eliminated in the Company's accounts at the end of the year 1919 because the Russian-Soviet Government had passed a decree in December, 1918, making all insurance in force a Government monopoly.*

"There were three general methods employed in effecting these reinsurances or transfers as follows:—(1) Transfer of the business to a native company under the authority of a law which absolved the New York Life from all future responsibility; (2) Transfer of the business to a native company, with the individual consent of the policy-holders; (3) Reinsurance of the business with the approval of the supervising insurance authorities, but without the consent of the policy-holders being obtained."

*The despotic not to say savage treatment of the New York Life and its policy-holders by the Russian Soviet Government has already been referred to in a previous chapter. To the account may be added this incident. The death of Mr. V. T. Zippert, formerly of the Russian Branch Office, who had been pensioned by the Company, was reported in June, 1929, and a substantial death benefit was paid, according to the rules and regulations of the Company, to his three nieces. After the Soviet Government seized the New York Life's Russian office in 1918, Mr. Zippert escaped to Germany. He reported to one of the officers of the Company who had a conference with him in Germany in 1919, that the Soviet Communists came into his home in Petrograd, took his grand piano, fine china and many pictures and threw them out of the window into the street, breaking and ruining them all. He was then put to work as a street-cleaner. He escaped from there to Riga, which was later taken by the Russians. He was recognized and again ill-treated, being forced to do the most menial kind of work. He finally made his way to Germany and his death was doubtless hastened by his treatment at the hands of the Soviet Government.

Mr. Buckner's review then goes on to point out that the transfer of the New York Life's business in Austria, Argentina, Bulgaria, Brazil, Czecho-Slovakia, Germany, Hungary, Spain, Switzerland and Yugo-Slavia fell under the first of these categories. It was accomplished under special laws or decrees enacted by the governments of the respective countries. In each case the New York Life, in coöperation with the government officials, sought to protect fully the rights and future welfare of its policy-holders who were taken over by foreign companies under the governmental decrees.

The second method—that of obtaining the consent of the policy-holders—was followed in Belgium, Holland, Denmark, Norway and Sweden. "In these countries," says Mr. Buckner, "the reinsuring companies were willing to obtain the consent of the policy-holders to a transfer of the business. It was generally specified in the agreements between the New York Life and the reinsuring companies that the consent of 80% of the policy-holders must be obtained before the transfer would be effective. The reason for requiring such a high percentage was to make sure that the reinsuring companies would do everything in their power to bring the plan before all the policy-holders. Letters were sent to the policy-holders, recommending them to consent to the transfer. Such letters were signed by the officers of both companies, and the approval of the insurance department was cited therein. Where the consent of the policy-holders was obtained to the transfer, the laws of the country then prevailed with regard to any deposit of securities to cover the liabilities.

"In order that the policy-holders might be protected with regard to their future dividends, it was customary to provide in the agreement for the transfer of the

business that the insured would receive as large dividends in the future as they would have received if the policies had remained with the New York Life.

"In the above named five countries the consent of a comparatively small percentage of the policy-holders was not received, which was generally due to lack of a complete understanding or to failure to receive the circular letters. These policy-holders not consenting to a transfer were reinsured as described in the next paragraph.

"There was a third method in cases where there was not a suitable transfer law or where the written consent of the policy-holder was not obtained. This method provided for the reinsurance of the policies on more or less customary lines. The countries in this group included Poland, Turkey, Australia, Chile, China, Egypt, India, Japan, Great Britain, South Africa, several countries in the West Indies and Central America. In all of these cases the policy-holders were amply protected. They were, in fact, better off under the reinsurance than they were formerly, inasmuch as an active organization replaced a company which would inevitably close its local office as the business decreased in amount, thus causing inconvenience in the payment of premiums and in settlement of policies. The few objections which were made were generally the result of a misunderstanding of the terms, and in such cases arrangements satisfactory to the policy-holders were made whenever feasible. The same arrangements were made with regard to policy conditions and dividends as in the case of Belgium, Holland, Denmark, Norway and Sweden. A deposit of securities in trust with a bank, a trust company, or insurance department was one of the conditions so that the policy-holders would be adequately protected. If the

reinsuring company should not be able to carry out its obligations in the future, then it was provided that the New York Life would automatically come into possession of the securities representing *at their market value* the reserves, so that it could carry out the remaining contracts.

"Provision was made that the transferee or reinsuring company would defend at its own expense any action at law brought against the New York Life in consequence of the transfer or reinsurance and that it would settle all outstanding claims. Any obligations in the way of renewal commissions were also assumed by the transferee or reinsuring company. Taxes and fees in connection with the transfer or reinsurance were assumed by the company taking over the business. In many instances the staff of employees of the New York Life was taken over by the reinsuring company. In other instances, either the reinsuring company or the New York Life paid adequate compensation to the staff, depending upon the circumstances of the case. In cases where an individual employee had served the New York Life 25 years or more the Company made special arrangements to place him on its reserve force with a reasonable compensation.

"The effect of the transfers and reinsurances was generally to strengthen the reinsuring companies, to increase their knowledge of other countries' methods, and to add to the convenience of the native policy-holders, without impairing their rights or security. The effect on the New York Life was to eliminate from its assets most of its foreign securities, to enable it to close its foreign departments expeditiously without impairing the interests of American policy-holders and to provide for the welfare of its employees. At the same time the interests of policy-holders in the foreign coun-

tries were protected according to the provisions of their policies."

The reader has now some impression of the labor it cost the New York Life, without material loss to its policy-holders at home and with substantial justice to its policy-holders abroad, to divest itself of its foreign obligations following the World War. There remain to be considered Russia and Mexico.

The retirement from Mexico was not primarily due to the World War, although the disturbed condition of Mexican politics was aggravated by the European conflict. The New York Life began operations in Mexico in the year 1875, but as early as 1892 it had difficulties with the Mexican Congress which led it, in 1893, to cease writing new business in that country. In 1899 the difficulty was adjusted and the Company reëntered Mexico. Revolutionary conditions culminated in new legal controversies with the Government of Mexico in 1910. In 1915 these difficulties became so acute that Mr. George M. Brasier, an Assistant Secretary of the Company, was sent to Mexico to safeguard and, if possible, to transfer the securities owned by the Company which were deposited in the Mexican Treasury. This he succeeded in doing, and these securities which are in the form of Mexican bonds are now in the custody of a responsible banking trustee in Mexico. The relations of the New York Life with the Mexican Republic are amicable and unstrained. The Company has always complied with the requirements of the laws of the Republic and has always fulfilled its obligations with the Mexican policy-holders, but the situation created by governmental disturbances in Mexico beyond the control of the Company rendered it impossible to carry on the ordinary transaction of business in the Mexican Republic. Therefore at the

meeting of the Board of Directors held on April 11, 1916, on recommendation of the Office Committee it was resolved by the Board to close the Branch Office of the Company in Mexico and transfer all records, premium collections and policy payments to the Home Office in New York. It is hoped and believed that the Company's Mexican securities will yet be redeemed without serious loss. Mexico may therefore be classed with the other foreign countries from which the Company has successfully retired.

The settlement of the business in Europe, Asia, Africa, South America, Australasia and Mexico leaves only Russia in an unsatisfactory condition, and the Russian situation is complicated and perplexing in the extreme. The reader has already learned that the Russian Soviet government seized all the Company's property in that country and directed its policy-holders to pay their premiums not to the Company but to the Russian government. Afterward the Soviet government repudiated all liability under the policies it first took over as a monopoly and it also repudiated all the Russian securities deposited as the laws required. Some of these policy-holders were instigated by the Soviet Government to sue the Company for payment of their claims. In 1924 *Izvestia,* the Soviet government's official journal, contained a long series of attacks upon American life insurance companies with innuendoes upon the American Government. This series concluded with the following announcement: "The foreign insurance companies relying upon their governments . . . in their attempt to evade payment . . . are stepping behind all kinds of subterfuges, the substance of which is nothing but open cynicism and mockery. . . . The inevitable conclusion . . . is that the Russian policy-holder must cease acting individually and organize into a col-

lective organization . . . for the purpose of proceeding against the insurance companies in the American courts collectively." The result has been long and difficult litigation. The New York Life's only desire is to settle its Russian claims with justice to all concerned, but what justice demands under the circumstances is a problem hard to solve. At this writing (December 1929), several "Agreements of Compromise" have been entered into with a large number of non-Soviet Russian policyholders (residing outside the Soviet Republic) through their legal representatives. The text of these agreements is so voluminous as to make a book of sixty printed pages. Many other non-Soviet Russian policies have been settled directly with the policy-holders. Some idea of the intricacies of the Russian litigation may be derived from the following excerpt from the report of the attorneys of the Company for the year 1928:

> Throughout the year we were actively engaged in handling and preparing for the defense of the more than 1,300 suits pending in the courts of New York on more than 4,000 of the Russian policies. We conducted extensive investigations in Europe on the numerous currency questions involved, preparing for the introduction of evidence relating to the values of Romanoff, Kerensky and Chervonetz currencies, and we conducted similar investigations concerning the applicable laws of Imperial and Soviet Russia and Poland and the other Baltic States. We conducted an extensive research in this country through private collections of Imperial Russian and Soviet laws, and in the libraries of Congress and Harvard University, in preparation for the presentation of our defense based on Soviet laws, and prepared detailed trial memoranda covering all phases of that law, in collaboration with the Russian ex-

perts Freund, Sack, Petchkovsky and Brassol.

We argued numerous motions in cases actively litigated in the courts of New York and we prepared many briefs, both in matters presented to the courts for decision and in preparation for the trial of the cases on their merits. We prepared for the trial of two cases on their merits and entered upon their trial, the trial being interrupted after several days at the suggestion of the presiding Judge that the parties should attempt to settle the entire litigation. Following the suggestion of the Court, we conducted long and very complicated negotiations with the numerous groups of attorneys representing Russian policy claimants, and those negotiations and the drafting and redrafting of complicated settlement contracts occupied many months of time. The service summarized above occupied in the aggregate more than 600 days.

The Company, of course, has large claims against the Russian Soviet Government for the seizure of its properties and securities in Russia. The denial of these claims and the assertion of unreasonable and unjust counter-claims by the Soviet Government of Russia form one of the reasons why the Executive Officers and Directors of the New York Life are convinced that the people and Government of the United States cannot and ought not to recognize the Soviet Government of Russia until that Government returns to the standards of common honesty in international dealings which prevail among most civilized nations. It is a case for the application of Thomas Jefferson's dictum, "a decent respect for the opinions of mankind."

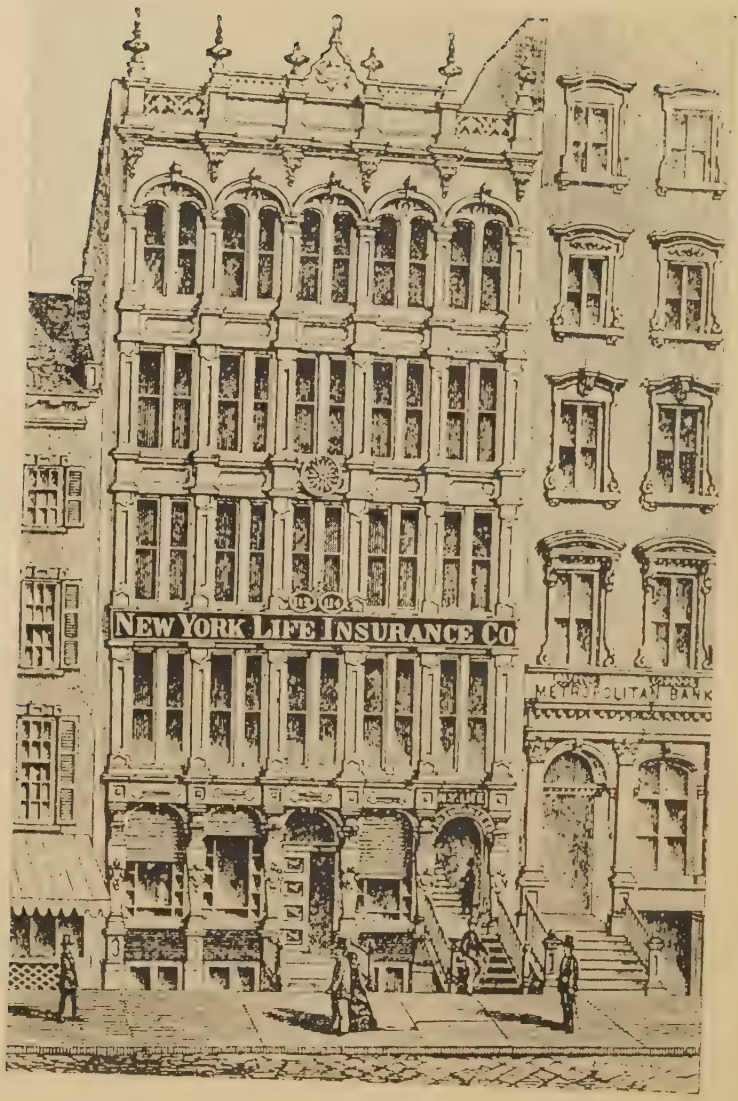
The settlement of the multifarious problems connected with the closing of the foreign business of the New York Life has been a work covering several years

and requiring the exercise of judgment, diplomacy and patience. That Vice President Walker Buckner, in his personal direction of this work both here and in Europe, has displayed these qualities appears in a special minute of the Board of Directors in which the Board extended to Mr. Buckner "its thanks and congratulations on the successful inauguration and the successful conduct of an extremely difficult piece of business." That the work was also satisfactory to the European governments involved is indicated by the fact that one of them, the Imperial government of Italy, bestowed on Mr. Walker Buckner a highly prized decoration in recognition of his promptness and fairness in meeting its requirements.

From the foregoing summary of the effect of the World War on the fortunes and activities of the New York Life the reader will observe that the material losses of its policy-holders were negligible. The Company did suffer, however, in common with the rest of the world an incalculable loss of spiritual and material energy which might have been devoted to constructive work instead of to the readjustments necessitated by the ruin of war. But this is the inevitable aftermath of all wars. We are so often blinded by the spectacle of personal heroism and by the profits that have accrued to individuals or small groups of individuals that we are unable to see that wars which have been fought offensively for the purpose of aggrandizement have always resulted in some kind of loss and set-back to the human race. It will be a generation or two before there can be a complete recovery from the heart-sickness which overwhelmed every nation at the end of the World War. Those Americans now reaching adolescence, who were too young, when the world was at swords' points, to realize the suffering and the hor-

ror, are nevertheless the unconscious victims of the overthrow of the political and spiritual standards which man had laboriously developed and by which he had lived for generations. International trade, international law, international comity had to be built up all over again. Doubtless soldiers and sailors and martial machinery will be as necessary to enforce the mandates of a World Court as marshals and police are necessary to sustain the authority of the United States Supreme Court. But a full recognition of the constructive and honorable work of the trained soldier is not incompatible with setting the face like flint against the Napoleonic and Kaiseristic doctrine which advocates war as a means of achieving *la gloire* or "a place in the sun." The ten years that it has taken to settle the controversies, losses and obligations imposed upon the New York Life by the World War afford a notable illustration of the waste of time and energy engendered by that barbarous conflict. And time and energy are indispensable factors of human progress. This phase of the destructiveness of war cannot be tabulated in figures but is probably its most ruinous and deplorable quality.

But the World War is over and it is a relief to turn from a consideration of its bitterness and wastefulness to the more cheering subject of the New York Life's rapid advance in constructive service in the United States,—a service of which the Company's New Home Office building, described in the next chapter, is an outstanding manifestation.



112 Broadway

The first building owned by the Company and occupied as its Home Office from 1858 to 1870

CHAPTER XI

The New Home Office.

WHEN President James A. Garfield was an undergraduate of Williams College the head of that institution was Dr. Mark Hopkins, famous in the annals of American education for his genius in inspiring his students. In later life Garfield once said of this great teacher: "An ideal college would be a log with a student on one end and Mark Hopkins on the other." The truth that Garfield meant to convey by his epigram was that a college is built, not of bricks, stone and mortar, but of the intangible spirit and genius of its teachers.

So it is with the New York Life. The edifice in which it is now housed on the site of the historic Madison Square Garden, is merely the outward dress of a living body that breathes and moves within it. Nevertheless this majestic Home Office Building is a symbol of the energy and genius which has animated the New York Life for more than eighty years. As such a symbol it merits some description, although nothing but a personal inspection can give more than a faint impression of its beauty and convenience.

The building occupies the ground of an entire city block bounded on the South by 26th Street, on the North by 27th Street, on the East by Fourth Avenue and on the West by Madison Avenue. The area of this block is 425 feet East and West and a trifle less than 200 feet North and South, that is to say 85,000 square feet or almost exactly two acres. The external

appearance of the new Home Office was thus succinctly described by President Kingsley, in an address broadcast by radio to policy-holders all over the country, at a dinner given on December 12th, 1928, to celebrate the building's completion, opening and occupancy:

> Architecturally the structure is what is called American Perpendicular, clothed in modified Gothic. From the granite which encircles the steel skeleton at the street level it is garbed in lime-stone up to the top, or thirty-fourth floor. It sets back on all sides twice; first at the fifth story, second at the fourteenth story. At the twenty-sixth story it sets back in two wings on the easterly and westerly ends only, and rises sheer in the central portion, 114 by 109 feet, from the thirteenth story up to and including the thirty-fourth story. It is capped above the lime-stone with a golden pyramidal roof on which rests a so-called "lantern," the top of which is some 617 feet above the street level. . . . Expressed cubically the building itself occupies 21,500,000 feet of space. It has been built throughout of the very best material obtainable. Its rental area is over 900,000 square feet. The Company occupies about sixty-five per cent of this. The remaining space has been or will be rented. The ground cost us $2,350,000. It is difficult to say what it is worth now. To us, needing an entire block—a most difficult thing to assemble in New York—the land is worth more than its market value. The building itself, with architect's fees, has cost about $21,000,000. . . . The building makes a splendid picture. I am sure you will applaud that statement when you see it. But after all and quite apart from its beauty, it represents business planning, in order that the Company may go on and efficiently discharge its

duty to you and play its part in the great sociological movement which it has labored unconsciously and consciously almost eighty-four years to inaugurate.

The history of the two acres on which the new Home Office stands is peculiarly interesting even for New York, which is so full of the romance of rapid development. When the New York Life was founded in 1845 the two acres and a large expanse of surrounding terrain were still used for truck-farming far removed "from the smoke, wealth and tumult of the city," like the most famous small farm in the world—the Sabine Farm of the poet Horace, near the ancient city of Rome. About 1830, or just a century ago, the station of the New York and Harlem Railroad, a street-car line, was at White and Centre Streets within a stone's throw of the site of the old Home Office building at 346 Broadway. Soon thereafter the New York and Harlem and the New York and New Haven railroads were granted a franchise to run horse-cars to 27th Street, where the horses were attached to steam-railway cars, the latter being drawn by horse-power through a tunnel to an open yard at 42nd Street, the present site of the Grand Central Station. Here the steam locomotives were attached. For many years the main station in the City of New York of the Harlem and New Haven railroads occupied the block on which the new Home Office now stands and the writer of this volume remembers very well the day when, as a small boy, he bought his ticket and boarded the train for Boston at this station. When the first Grand Central Station on 42nd Street was opened in 1873, P. T. Barnum leased the two acres at 27th Street for his museum and

circus. A little later the buildings were remodeled and improved and known as Gillmore's Garden. In 1887 a group of public-spirited citizens purchased the property and erected upon it a very unusual and beautiful building of a Spanish type of architecture known as Madison Square Garden. The building was designed by the late Stanford White, and on its charming tower, which rose into the air like an Italian campanile, was poised the graceful but colossal statue of Diana, modeled by Augustus Saint Gaudens, and for many years one of the notable monumental landmarks of New York. The city today can boast of no auditorium or assembly place that quite fulfills the function of Madison Square Garden in the late '80s and early '90s. Here, before the automobile had degraded the horse into a mere beast of burden, was held the annual horse-show, a kind of international assembly of the world of fashion at which the interest of the spectators was equally divided between the superbly dressed women, the superbly bred hackneys and trotters and the superbly varnished and caparisoned equipages. Here in the summer were given popular symphonic concerts in the European manner, and in the winter, in a charming theater, brilliant performances by such European stars as Sarah Bernhardt, the elder Coquelin and Adelina Patti; for the great building housed an amphitheater seating 15,000 people, a concert hall and ball room, a playhouse, a restaurant, a roof-garden and numerous studios.

But as popular tastes changed and as the tide of fashion swirled up town Madison Square Garden fell into degenerate days. It ceased to be even self-supporting as a convention hall or as an arena for bicycle races and prize fights, and in 1917 it became the property of the New York Life through the foreclosure of

a mortgage. At the time of the foreclosure the officials of the Company could not foresee that what at the time appeared to be a heavy financial liability would in ten years become a valuable asset, for in 1917 the country was in the midst of the World War and the Company scarcely dreamed of the expansion of its domestic business which would make a new Home Office an inevitable necessity. Perhaps it is incorrect to say "scarcely dreamed," for Mr. Kingsley, in the address from which a quotation has just been made, says: "I have dreamed of this building for ten years." In 1919 he began to discuss the need of a new Home Office with the Finance Committee. In 1923 a Building Committee was created by the Board of Directors. In 1924 Mr. Alfred L. Aiken, who had been a Director of the Company for several years, resigned from the Board, was elected a Vice President of the Company and appointed Executive Vice Chairman of the Building Committee of which Mr. Kingsley was the Chairman. Work on the new enterprise then began in earnest. Mr. Cass Gilbert was selected as the architect and Mr. Paul Starrett and his associates as builders. The cornerstone of the building was laid with appropriate ceremonies on June 17, 1927. It may have been merely a fortuitous coincidence but New England policyholders, at any rate, will be interested to recall that June 17th is the anniversary of the Battle of Bunker Hill. That famous battle has been defined as "morally a victory for the Americans, in that it demonstrated their fighting capacity and greatly increased the spirit of resistance throughout the country." Certainly the laying of the cornerstone of the new Home Office was a moral tonic for the New York Life and greatly increased its spirit of energy and efficiency. The contents of that cornerstone may be useful to some future

historian writing not only of the Company but of the country, and it is appropriate that a description of the contents should be recorded here in the following quotation from President Kingsley's cornerstone address:

> For the enlightenment of future generations, removed how far in time I do not know, we are carrying the symbolism of the tombs of the Pharaohs into the block of Granite that is about to be set; and we shall do this by placing in that stone a copper box containing certain records which will reveal, when inspected, something of the history of the Company during eighty-two years, something of its condition and usefulness in 1927, something of the life and manners and morals of New York City, of the United States and of the entire world, in A.D. 1927, as well as something of the greatness or smallness of the Company whose Home Office this building is to be.
>
> I now place in this copper box the following documents, most of which are printed on durable paper, together with one coin:
>
> 1st.—Two copies of the Company's Charter as adopted on July 10, 1912.
>
> 2nd.—Two copies of the Company's By-Laws as adopted August 11, 1926.
>
> 3rd.—Two complete copies of the Company's Annual Statement on December 31, 1926, with all schedules attached. When these figures are inspected by some future generation, will they indicate to the men of that day that the New York Life, in A.D., 1927, was a great Company or a little Company? Who can tell? Forty years ago some of us thought the Company was a great institution.
>
> 4th.—An engrossed roster of the names of the

winners in the Cornerstone Contest.* This roster will tell the world some day that ten thousand men and women struggled mightily to win the right to take part in these ceremonies and to have their names placed in the Cornerstone. In the history of a great beneficial and beneficent corporation, and in the building of what today is one of the notable buildings of the world, the men whose names are here inscribed are designated as outstanding and when the contents of this box are revealed, that fact will be confirmed.

5th.—A copy of The New York *Times*, the only New York daily printing a limited edition each day on rag paper. Here our descendants will find an epitome of the activities of the entire world on the morning of the 17th of June, 1927. It will be a picture of what all mankind did or dreamed or dared yesterday. It will be a cross section of the life of the world, this morning, more complete, more comprehensive, than ever before was placed in a receptacle of this kind.

6th.—A photograph of the Honorable James A. Beha, Superintendent of the Insurance Depart-

*It is a truism to say that in every art, trade and profession man works better under some kind of external incentive. Recognizing this human psychology, the Company conducts periodical contests among its army of agents. The contests are usually arranged to see what individual or what Branch Office can produce the largest amount of business under specified conditions and in a specified time and are held in celebration of some particular event in the Company's progress. The winners are usually rewarded, in addition to the pecuniary emolument of the increased volume of their commissions, by invitation to be the guests of the Company at some convention or other commemorative assembly. Under the inspiration of the Cornerstone Contest the greatest volume of new insurance ever put on its books by the Company within the limits of a period of two months was achieved, amounting to $169,486,122.

ment of the State of New York. Representing the State during the construction of this building, Mr. Beha has been active and potent in every one of the multitudinous decisions made, some of them earlier even than the demolition of Madison Square Garden, which preceded the erection of this building, and, in a sense, closed an era.

7th.—A steel engraving of the President of the Company, Mr. Darwin P. Kingsley.

8th.—Two copies of the Agency *Bulletin,* especially prepared in commemoration of the day, giving as completely as possible the status and the ideals of the Agency Department of the New York Life Insurance Company.

9th.—Two copies of the booklet called—"Directors, New York Life Insurance Company." This booklet will preserve the names and something of the history of the men who guided the Company through its first eighty-two years.

10th.—A copy of Nylic Post book, American Legion, with supplemental list.

11th.—A twenty-dollar gold piece struck in 1927.

12th.—A record of the progress of the Company by administrations from 1845 to 1926, inclusive.

13th.—A group reproduction of portraits of all the presidents of the Company.

14th.—My addresses and papers from 1903 to 1927, published by the Company, in four volumes. These, although not printed on durable paper, I have been persuaded by my associates to include amongst the items to be deposited in the Cornerstone.

15th.—Two copies of this address.

It is to be regretted that no history covering the last twenty years of the Company is in existence.*

*The present volume is designed to supply this need.

> Those who may be interested when the contents of this stone are brought to light can spell out of the booklet called—"Directors, New York Life Insurance Company," and out of the memorandum of progress by administrations, an outline of the Company's history from the beginning up to the present date.

It would take an entire book to give an adequate description of the building which now houses the four thousand Home Office employees of the Company and from which the activities of its more than ten thousand representatives of the field force are directed. All that can be done here is to give a few dates and statistics which may convey some impression of the size and equipment of the plant.

In May, 1925, the contract was let for the demolition of Madison Square Garden and the excavation for the foundations and the five subterranean stories of the building; in June, 1927, the cornerstone was laid, although the steel skeleton of the edifice had then already risen many stories; and by the end of November, 1928, the office force had moved from 346 Broadway and had begun their work in their new quarters. Thus three years and a half of incessant and concentrated labor, some of it performed night and day, were required to create the building. It was not inappropriate that the issue of the Agency Bulletin enclosed in the cornerstone should bear, beautifully illuminated on its cover, what Daniel Webster said in his address at the laying of the cornerstone of the Bunker Hill Monument a century earlier: "Let it rise! Let it rise, till it meet the sun in his coming; let the earliest light of the morning gild it and the parting day linger and play on its summit."

During the progress of the work the Company

showed its belief in the doctrine of *similia similibus curantur,* or "like cures like." It took its own medicine. It bought a large amount of insurance to protect itself against loss by accident or fire, an act which attracted some favorable newspaper comment at the time as showing that a great insurance company practices what it preaches. The Company has in its new building a perfectly equipped hospital with accomplished physicians and nurses in attendance to care for its employees; while the building was being erected it followed this practice by maintaining at the scene of construction an emergency hospital to care for any of the two thousand mechanics and laborers who might meet with minor injuries or accidents.

During the period of construction there were a few unpleasant incidents, such as an incipient strike or two with some accompanying vexatious and wholly unjustifiable sabotage. But these were offset by some pleasant illustrations of the growing solidarity of capital and labor. On one occasion, as the building neared completion, a large assembly of workmen gathered on one of the floors and applauded while some of their fellows received medals and illuminated certificates which were awarded for special excellence of artisanship. On this occasion addresses were made by officers of the Company, by the architect, by the builder and by representatives of the Employers Trade Council and the labor unions. It is also pleasant to record that there was an element of romance connected with the work of construction. It was thus recorded by the New York *Sun.*

> "In all the hurly burly of New York life," said the romantic old gentleman,"it is sometimes a wonder to me that young folk can meet and court and get married. There doesn't seem to be any

time or place for sparking, let alone peace and quiet enough for popping the question.

"But they do get married, bless their hearts, and after some strange sorts of courtships. For instance, while they were erecting that beautiful new mountain of stone at Madison Square Garden this spring I used to watch the young stone-masons and the girls across the street from them in the windows of a lace-making factory. The boys, in their white jumpers and overalls, would sit on the topmost ledge of the scaffolding, swinging their legs, and shout across at the girls hanging out of the windows. Thus they exchanged wise-cracks and sallies, little subtleties which pass for the first stages of courtship, above the roar of the traffic.

"Some of them got to be sweethearts and to look for one another at these lunch-hour meetings. Finally the scaffolding went up so high that it topped the building across the street, and I was a little concerned about the courtships I had been watching. Well, I went back there the other day, and the foreman told me that three of his boys had got married—to girls across the street. Love will find a way, in the springtime, even in hectic Manhattan!"

The reader may judge how hopeless it is to compress in a page or two of a narrative like this a description of the material details of the building when he learns that the articles about these details, published by the various building trade journals of the country, fill a large portfolio and constitute a veritable encyclopedia of modern industrial engineering. The architectural journals printed numerous articles on the general plan and its esthetic features. A stone-mason's journal was interested in the great quantities of limestone, marble and travertine employed. The engineering journals

devoted themselves to the problems of excavation and steel construction. The metal-workers' journals were interested in the bronze doors and copper roofs. The electrical journals described the illumination, the electric power and the eighty miles of electric wiring embedded in the walls and floors to protect the steel vaults which contain the billion and a half of securities of the Company. The hotel trade journals described the kitchens and dining rooms designed to feed 6,000 employees and tenants. The plumbers' trade journals found a subject for discussion in the water and refrigeration systems. A few figures furnished by Vice President Aiken, the executive officer in charge of general construction, afford an inkling of the grand scale upon which a modern American skyscraper is built. The bone and sinew of the building consists of fabricated structural steel, of which 24,500 tons were needed. Its epidermis is Indiana limestone, of which 1,000 carloads were required—the largest order for exterior stone ever placed in this country. The sunlight and natural ventilation comes into the building through 2,180 windows, and in addition there is elaborate machinery for artificial ventilation. There are eight miles of pneumatic tubes for the conveyance of the papers and documents needed in the daily transaction of business. The refrigerating system supplies 1,800 gallons of drinking and other water per hour, manufactures forty tons of clear ice per day, freezes 200 gallons of ice cream per day and maintains refrigerating temperature in forty-two different refrigerators and cooling rooms throughout the building. Some of the five basements and sub-basements extend 87 feet under ground, a greater distance towards the center of the earth than the Home Office building at 346 Broadway—the finest structure of its kind when it was erected in 1870—

extended into the air towards the sun. Finally it may be recorded that an automobile trade journal published a vivid story of the feat of moving the documents, equipment and securities from the old office to the new—a distance of two miles. Nearly 400 men and a fleet of motor-vans and armed cars were engaged in this task in eight hour shifts, 24 hours a day for three days. Every particular was carefully planned and charted in advance and the transfer was made without a mishap and with military precision. The conception gradually dawns upon the mind of one who examines these records that the building is a self-contained city, providing its inhabitants with shelter, power, light, water, food and transportation. It is not merely an office—it is an epitome of modern civilization.

That the expenditure of money even in this vast undertaking was conservative was pointed out by President Kingsley in his dedicatory address. In 1870 the Company invested $1,500,000 in its building at 346 Broadway, or about thirteen per cent of its assets at that time. In the Madison Square building the Company has invested about one and one-half per cent of its present cash resources. That it is a psychological as well as a cash investment appears from an incident related to the writer by a Secretary of the Company, Mr. Frederick M. Johnson, who has charge of the Premium Collection Division:

> Some weeks ago in the lobby of the Premium Collection Division I saw a man standing and looking around the room with a rather blank expression on his face. In general appearance he seemed to be of German origin and looked like a well-to-do small shopkeeper. I stepped up to him and asked if I could be of any help. After carefully scrutinizing me he said that perhaps I could answer a

question. I replied that perhaps I could. The following conversation then ensued:

The man—"Does the New York Life own this building?"

Myself—"It does."

The man—"It must have cost two or three million dollars, didn't it?"

Myself—"It certainly cost that much."

The man—"Is the building paid for?"

Myself—"It is."

The man (After a pause and a brightening of face)—"How much mortgage is there on the building?"

Myself—"None, it is fully paid for."

The man—"Are you sure it is all paid for?"

Myself—"Yes, I know it is all paid for."

The man (Another thoughtful pause)—"I am glad I asked you. There have been so many bank failures that my wife and I have been anxious whether our $3,000 policy with the New York Life Insurance Company was safe. Now, when I go home and tell her that the Company owns this building, which cost two or three million dollars, and that it is all paid for in full, she will no longer worry about the insurance."

So much for the small policy-holder's view. To it may be added the view of the Board of Directors. At the regular monthly meeting of December 12, 1928, Mr. Abbott offered the following minute which was unanimously adopted:

> On this happy occasion—the first meeting of the Board of Directors of the New York Life Insurance Company in the new Home Office Building in Madison Square—the Board desires to record its high appreciation of the able and distinguished administration of President Kingsley.

During the twenty-one years of his presidency the business of the Company, when measured by that surest of gauges, its invested and interest-bearing assets, has multiplied more than three times, the assets rising from less than five hundred millions of dollars to more than one billion five hundred millions.

Other statistics of increase, such as the volume of business, the number of policy-holders, and the amounts paid to them and their families in dividends and benefits, show the same ratio of gain. This remarkable and unprecedented growth has now culminated in the beautiful and dignified building which, the Board believes, inaugurates in the history of the Company a new period of prosperity and public service.

In this growth, in the selection of the highest type of associate officers, and in the erection of the most complete and harmonious building in the world devoted to the social service of life insurance, President Kingsley has been the initiating and guiding spirit.

Through the medium of this Minute, to be spread upon the record and to be sent in a suitably engrossed copy to Mr. Kingsley personally, the Board wishes to express to him its congratulations on the trusteeship he has so successfully and honorably exercised for the profit and benefit of the policy-holders—a trusteeship of which this noble building is a veritable monument.

That delightful wit, Oliver Wendell Holmes, the "Autocrat of the Breakfast Table," uttered a serious truth in a humorous fashion when he said, "Put not your trust in money, but put your money in trust." Those Nylic policy-holders who agree with their Directors that the new Home Office is a monument of trusteeship may like to see a simple statement in dollars

and cents showing how their "money in trust" is faring. The year 1929, the first year of the new Home Office era, was the most prosperous in the history of the Company. The first nine months of the year* closed with a record of the largest amount of paid business—$742,991,000—ever written by the Company in a similar period. During these nine months its assets were increased by the amount of nearly one hundred millions of dollars; it loaned to policy-holders about fifty millions; it paid or credited to policy-holders in dividends another fifty millions; the owners of policies, or their families, received from it, in the various forms of policy proceeds, over one hundred and thirty millions; and its assets accumulated for the benefit of policy-holders had reached the grand total of one billion, six hundred millions of dollars.

In the next chapter the reader will be taken through the new Home Office and given a glimpse of the various departments whose activities have made these figures possible.

*This book went to press on December 1, 1929, so that the figures for the final quarter of that year were not available.

CHAPTER XII

Departmental Organization

THE administration of the New York Life is comparable to the government of a small republic. Take Switzerland for example. The population of that prosperous country is about four million souls. The population of the New York Life, if we regard its policy-holders, as its population, is something over two millions.* The Federal revenue of Switzerland in the year 1927 was $66,263,227, and the expenditures were $66,580,056. Thus there was a slight deficit which was added to the public debt. The revenue of the New York Life for the year 1927 was $325,475,-914.64, and the expenditures (including $141,000,000 paid to the policy-holders and about $6,000,000 in taxes paid to the State and Federal governments) were $200,141,773.27, leaving a balance of $125,334,141.37 to be added to the invested assets which belong to the policy-holders.† The comparison between the New

*It is not easy accurately to tabulate the number of individual policy-holders, as the records are kept by policy numbers. There are many instances in which one individual may own two or more policies. At the end of 1928 there were, let us say, 2,500,000 policies outstanding and in force. Mr. Hunter, the chief Actuary of the Company, has made some researches and calculations which lead him to believe that the number of individual policy-holders is about 80% of the number of policies in force and that therefore at the end of 1928, 2,000,000 individuals owned the New York Life Insurance Company.

†The figures for 1928 and 1929 were still larger and more advantageous to the policy-holders than those for 1927. But the year 1927 is selected for this comparison because that is the last year for which the figures of the Swiss Republic are available.

York Life and the Swiss Republic will be still more striking if the people of Switzerland are imagined as scattered over a great continent. This imagery may aid the reader in forming a conception of the magnitude of the task of administering a modern mutual life insurance company.

The New York Life is not only a republic; it is a constitutional democracy. Under the laws of the United States and of the State of New York the policy-holders of the Company throughout the world elect a Board of twenty-four Directors. The Board elects the President of the Company who is *ex-officio* a member of the Board, thus making it a body of twenty-five Directors. This Board may be compared to a unicameral legislature or senate which, by creating departments, appointing executives, approving budgets and enacting rules and regulations, administers the operations of the Company. The President, who is Chief Executive of the Company, is responsible to the Board, and through the Board to the policy-holders, for the general administration of the business. His associate executives not only constitute his cabinet but direct the activities of the various departments of the Company.

There are five general Committees, each one of which is composed of executive and other officers and members of the Board of Directors. Every Director* serves on at least one of these Committees, and in most instances upon two. Thus a Directorship is not a

*Two exceptions to this custom should be noted,—the late David R. Francis, Ambassador to Russia and a member of the Board from 1907 to 1925; and Myron T. Herrick, Ambassador to France, who served the Company from his election as a Director in 1916 until his death, in 1929. Their ambassadorial duties made their service on Committees entirely impracticable and prevented them from regularly attending Board meetings.

mere *pro forma* position of an honorary character. Each Director is brought through his Committee work into intimate contact with the personnel and daily routine of the Company. It is impossible in a book of this kind to give more than an impression of the activities of these Committees, for the rules and regulations governing their responsibilities and operations form a printed and indexed pamphlet of fifty pages.

The Committees meet at least once a month, and some of them either weekly or semi-weekly. All the transactions of the Company, in the form of reports or recommendations from the officers and department superintendents, pass under their scrutiny. Each Committee reports its acts, authorizations and recommendations to the monthly meeting of the Board when, if approved, the decisions of the Committees are ratified. This outline of the administrative structure of the Company, together with the following brief résumé of the functions of the general Committees, will enable the reader to estimate the appropriateness of the comparison of the New York Life to a constitutional democracy.

The Finance Committee passes on all offerings for investment and authorizes all purchases of securities or loans on bond and mortgage. It is composed at the present writing of President Kingsley, Vice President Thomas A. Buckner, Treasurer Palagano and Directors Pulleyn, Milburn, King, Andrus, Cortelyou and Johnston. Mr. Pulleyn is president of the Emigrant Savings Bank, one of the largest institutions of its kind in the world; Mr. Milburn is an eminent lawyer whose advice in matters of finance has been sought by the largest corporations of the country; Mr. King has had long experience as an officer of leading banking institutions and is now Chairman of the Advisory Commit-

tee of the Irving Trust Company; Mr. Andrus, a widely known manufacturer and capitalist, has had a half century's remarkable experience in the successful investment of capital funds; Mr. Cortelyou, now president of one of the largest municipal public utility corporations in the United States, was formerly Secretary of the Treasury of the United States in the cabinet of President Roosevelt; and Mr. Johnston is president of the Chemical Bank and Trust Company of New York, an institution which, because of its impeccable record of over a century in the history of American finance, is known as "Old Bullion." The richest man in America has not money enough to employ such a group of experts to supervise his investments. But these men, without pay, except their nominal directors' fees (in which the Company's officers of course do not participate) serve many hours each week in supervising the savings which the smallest policy-holder deposits with the Company. Thus a thousand dollar policy-holder is automatically sure of having executors of his insurance assets who are as competent and highly trained as the wealthiest millionaire could possibly obtain for the conservation and distribution of his estate. This is one of the great advantages of an estate created by life insurance.

The Auditing Committee, of which three Directors are active members, scrutinizes all expenditures of money, of whatever nature they may be, by comparison with the Company's general ledgers. It verifies monthly to the Board of Directors the statements of income and disbursements received from the Auditor and Comptroller. In making these verifications every ledger account is checked item by item with the duly authorized vouchers at least once during the course of the calendar year, and several of the most important accounts are thus checked monthly.

The Office Committee convenes weekly and has within its purview the supervision of the general operations of the Company, both in the Home Office and in the Field. It oversees the principles under which risks are accepted, the conditions under which policies are issued, the appointment and removal of employees, the reports of the Legal, Actuarial and Medical Departments, etc., etc.

The Agency Committee concerns itself with the personnel, the activities and the payment of the ten thousand members of the Agency Force.

The Executive Committee has charge of the expenditures for advertising, printing, traveling and other similar payments. Those who have read this book so far will recall that the Company once got into serious difficulties over its expenditures in legislative matters, which expenditures constituted one of the original causes of the Armstrong Investigation of 1906. It will doubtless interest policy-holders, who see these pages, to read the following strictly maintained rule of the Executive Committee which was adopted after the Armstrong Investigation.

> All vouchers for disbursements made directly or indirectly in connection with appearances before Governments or Government Officials, or for Legislative or Departmental expenses of any kind, shall state what the measure or proceeding was which occasioned the charge and the Company's interest in it. Each voucher must be endorsed by General Counsel Bottome (or some one authorized to sign for him in his absence) as a proper charge against the Legislative and Departmental Expense Account before payment is made. When the voucher is for more than $100 it must also be approved by an Executive Officer. The original vouchers in

all cases must be submitted to this Committee for approval, and it shall report its action thereon to the Board of Directors.

The Loss Committee reviews the payments made for death losses and disability claims and reports to the Board of Directors. This Committee meets monthly; but there is a Sub-Loss Committee, composed of executives and heads of departments, which daily supervises the payment of such losses and reports to the Loss Committee.

The work of the Actuarial and Medical Departments is referred to in other chapters, and that of the Law Department, cases of court litigation, will be touched upon in an ensuing chapter. A very important part of the legal work of the Company is devoted, under the direction of General Counsel Bottome, to the complicated legal procedure involved in the loaning of money on bond and mortgage. Any reader who has ever bought a house, with its concurrent questions of taxation and search of title, will understand the enormous amount of clerical and legal work involved in the loaning of money on bond and mortgage. A similar amount of detail is connected with the court procedure of litigated cases.

Many, if not most, of the law suits in which the Company is involved arise from attempts on the part of swindlers or criminals to obtain the proceeds of policy claims by fraud. In the files of one such case (one of many which have been examined by the present writer) there is, among other elaborate documents, a printed and illustrated book of 610 pages, which constitutes the "transcript of record" submitted to the United States Circuit Court of Appeals during the trial of this case. This relatively minor item is men-

tioned here because it is an example of the incredible amount of routine but expert work which goes on daily in the Home Office. Mr. Bumble, in "Oliver Twist," was doubtless exaggerating when in a moment of justifiable irritation he exclaimed that "the law is a ass!" But no one can even glance at the voluminous files and papers of the Law Department of the New York Life without feeling that the law is at least a beast of burden,—and that it carries very heavy burdens.

The reader now has some conception of the executive responsibilities involved in the administration of the Company but is perhaps asking how the clerical force of nearly four thousand young men and women in the Home Office occupies itself daily. The best way to answer this query is to let the questioner follow an application for a policy on the round it must make through various departments before the policy is issued.

An agent from the Wichita, Kansas, Branch Office secures an application from a Kansas farmer for insurance. The applicant has been examined by one of the Company's regularly accredited medical examiners in his state, has answered satisfactorily the various questions on the application, and these papers are delivered by the agent to the Branch Office. A blank, called a Home Office Memorandum, which contains a digest of the information furnished by the applicant, is attached to the papers and they are at once mailed to a special box in the New York Post Office. From the Post Office the applications are conveyed directly to the Index Division in the Home Office without forming a part of the voluminous daily mail of the Company which is received and sorted in the Letter Division and distributed by the pneumatic tube service.

In the Index Division the application* and the Home Office Memorandum are compared to see that they correspond. The name on the application is checked on a card index of 12,000,000 cards in order to find whether the applicant has any record as to insurability.

The application, with the Home Office Memorandum attached, then begins an elaborate journey. On the Home Office Memorandum, as the application passes through the various departments, is recorded every official action connected with the issue of the policy and after the policy is issued the Memorandum becomes a part of the permanent file of the case and all subsequent official actions are noted upon it. If the applicant is already a policy-holder in the New York Life the application goes from the Index Division to the Division of Policy Briefs where entries are made on the Home Office Memorandum to show the details of his previous insurance. The papers are then sent to the Selection and Rating Department where the case is compared with the Company's ratings as to family history, physique, residence, occupation, etc., according to the printed tables and instructions constantly before the clerks. The application, with the memoranda and the reports that have been thus far attached to it, is then examined by a physician of the Medical Board to see if the case is a normal one. If it is approved, data regarding premium payments, dates, etc., are made out and attached. It finally reaches the Policy

*An application is usually called an "app" in Home Office lingo. Efficiency experts will regard the use of the term "app" as something more significant than an amusing instance of American slang. An average of 1,000 applications are received daily. It may safely be assumed that the word is spoken at least five times daily in connection with each application. There are 300 working days in the year. The elision of three syllables, therefore, saves the clerical force 1,000x5x 300x3=4,500,000 lingual operations annually.

Issues Division where the particular policy form required by the case is filled out by expert girl typists and made ready for the signature of the authorized official, whose approval completes the contract. During its journey, by an elaborate system of pneumatic tubes from department to department, the application and the accompanying records have been photographed by remarkable photostatic machines, operated by electricity, which turn out these photographic documents at the rate of one completely developed print every forty seconds. It is impossible to evade, mistake or falsify such a photostatic copy of a document. The application of the Kansas farmer has now passed through the hands of at least thirty-five different people who are engaged in making entries and reentries and in checking all the figures and statistics of the case. The completed policy finally reaches the Mail Room where it is mailed back to the Branch Office on the day it was received. With it goes a letter from the President of the Company welcoming the applicant, if it is his first policy, to membership in the New York Life family; or, if he is already a policy-holder and is taking out additional insurance, expressing appreciation of the continued confidence in the Company which his application indicates.

An average of 1,000 of such normal applications are thus received and handled daily. The maximum record of policies written and mailed on a single business day is 4,186, the daily average being about 2,700. The difference between the daily average of applications received and policies mailed is due to the fact that often several policies are written on one application, and that many policies are sent out daily which are revisions of policies already in force. To receive 1,000 applications in the morning mail, to have them

entered on the books and various card records, to have them examined, checked and tabulated by responsible persons, to have them photographed and compared with the rules, regulations and scientific standards established for the proper administration of the Company's business, and finally, to have 2,700 policies typewritten, signed and sent on their way to the applicants at the close of the business day is, in the vernacular of the man on the street, *some* job.

The foregoing account of the handling of the daily applications for insurance refers only to the normal standard policy of less than $5,000. If the application is for a greater sum than $5,000, or if the applicant does not come up to certain established medical and physical standards, the case must be carefully considered by certain prescribed members of the Medical Board and the Executive Staff. Provision has been made for the insurance of so-called substandard cases, but this very important phase of the business will be dealt with in a chapter by itself.

Nothing has so far been said of the great volume of daily work required in other departments of the Company besides those concerning the handling of a normal standard policy which has no complications of any kind. There is not space here to narrate the details of the receiving and paying of cash; of the keeping of records and books of accounts; of the care and recording of bonds,* stocks and mortgages; of the calculations, tabulations and records of the Actuaries; of the labora-

*An average force of a dozen clerks, working daily for six months each year, is now required to cut the coupons from the bonds in the vaults of the Company. This work includes assembling, counting and sealing the coupons in packages before they are placed in strong boxes according to the due date. Bonds, amounting to about $6,000,000, are taken out of the vault each day. From these bonds two semi-annual coupons are detached. On the same day the bonds are counted by

tories, investigations and technical work of the Medical Department; of the research, correspondence and consultations of the Law Department; or of the Printing Department. This important department occupies a new building recently erected in a location convenient to the Home Office. The building is equipped with the latest machines and devices for printing, folding, binding and mailing. Here all the printed material of the Company is produced, from a miniature business card to the annual report of the Company, which is a publication of two hundred and fifty pages. Over a million policies, of which there are more than two thousand different forms, are printed annually. The manufacture alone of the policy-forms and the agents' rate-books, issued by the Company, is a large sized printing job in itself. Fifty years ago the Printing Department of the New York Life consisted of one man and one job press; today it is manned by a force of eighty operative employees and an office staff of ten persons and is architecturally and mechanically a complete example of the highest development of form and efficiency in the printing trade.

To have at instant command complete information about the individual accounts and histories of two and a half millions of policies outstanding it will be surmised that there must be an accurate and elaborate system of card catalogues. The key to this card catalogue system is in the Index Division which, as has already been mentioned, contains upwards of twelve millions of cards alphabetically arranged. Let us suppose that

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the Auditors and wrapped in packages under the Auditors' seal. To these is attached a certificate, signed by the Auditors, certifying the amount of securities in the package and attested by the Cashier, in whose presence the securities are counted. It is evidence of the skill and care of those doing this work that not a single coupon has ever been lost.

some important question arises about the policy of John Smith Jones, of a town in Kansas. The alphabetical card catalogue in the Index Division is first consulted. On Mr. Jones' card will be found a number. With this number the inquirer may consult the card catalogues in Policy Briefs Division, in the Comptroller's Department, in the Actuarial Department and finally in the Active File Room. Mr. Jones' file in the Active File Room will contain all the original papers and correspondence in the case. There are, of course, other subsidiary card catalogues in the various departments for departmental use.

To carry on the multifarious details of the business of the Company an elaborate mechanical equipment is required. Heat, light, power, elevator transportation, ventilation, a water system, and various labor and time saving devices must be supplied and maintained to enable the clerical workers efficiently to perform their daily tasks. The building is heated by steam but all the mechanical power is electric. The electric current for both light and power is bought from the Edison Company, partly because the purchase of electricity is more economical than its generation by steam-power in the building itself; partly because in this way the building is connected with two complete and distinct units of the Edison Company, either one of which is instantly available should some accident interrupt the working of the other. In its mechanical appliances such as pneumatic tubes, electric-carrier devices, pumping and refrigeration plants, freight and passenger elevators and general fire-proof construction, the new Home Office is as nearly perfect as the science and art of building can make it.* Architects and engineers

*One unusual efficiency device should be mentioned here. The ceilings of all working departments are covered with a sound-absorb-

have pronounced it to be the most modern and completely equipped office building in the world. This is apparently the opinion of the fire insurance experts who give it a lower rate than that enjoyed by any other building of its type in the United States.

A glance at a brief schedule of the departmental arrangements of the building will give those who have never had the opportunity of inspecting it some idea of the daily activities of the Company that go on within it.

Fifth and fourth basements: Inactive files of the Company, boilers, engines, electric motors and store rooms.

Third basement: Treasurer's vaults and coupon room, Real Estate mortgage loan vault, policy-loan securities vault, pneumatic tube terminal, utility shops required for the mechanical maintenance of the building (paint shop, carpenter shop, shops for locksmiths, plumbers, electricians, etc.), storerooms.

Second basement: Kitchen equipment, Files Division. The Files Division occupies a room 600 feet long, is equipped with pneumatic tubes connected with all the working departments of the building, and an overhead automatic electric carrier. In it 25,000 packages of documents are handled daily.

First basement: Dining room for department heads, dining rooms for men and women clerks, rest-rooms for men and women clerks, a barber-shop and boot-black parlor for the public,

ing material so that the clatter of typewriters, electric appliances, footsteps and even voices is almost completely obliterated. The visitor who enters, for instance, the Premium Collection Department, which contains all the equipment and clerical activities of the main counting-room of a great bank, might think himself, so far as quiet is concerned, in the reading room of a university library.

corridor to one of the lines of the Interborough Subway, a cafeteria for the public, shops for the public.

First floor: A cathedral-like, vaulted corridor, 600 feet long, extending from Madison Avenue to Fourth Avenue, with branches extending from Twenty-sixth to Twenty-seventh Street. These corridors are the general entrances to the building and afford access to the passenger, private and freight elevators. They are lined with shops and stores.

Second floor: Cashier's Department, offices of Treasurer Harold Palagano and his Department, Bond Department, Real Estate and Mortgage Loan Department, Premium Collection Division.

Third and fourth floors: The various Divisions of the Actuarial and Comptroller's Departments.

Fifth floor: Designed for the future growth and expansion of the Company's business, but at present assigned to short-term tenants.

Sixth floor: Investment Law Department (Harry H. Bottome, General Counsel), Division of Policy Changes, Division of Policy Briefs, Stationery Division of the Department of Supplies.

Seventh floor: Auditor's Department, various Divisions connected with Policy Loans, Claims and Payments, Division of Printed Matter and Forms, office of the employees' organization known as the Goodfellowship Club

Eighth floor: Division dealing with Disability Payments, Surrender-value Payments and Death Loss payments to Policy-holders, Translation Division, Mail and Letter Division.

Ninth floor: Department of Inspection, Card Records Division, Policy Issues Division, Photographic Division.

Tenth floor: Selection and Rating Department, Medical Department.

Eleventh floor: Department of Trust Agreements, Division of Indexes, Laboratories, Library, Insurance Committee, Inquiry Division.

Twelfth floor: Committee rooms, office of Vice President Walker Buckner, 2nd Vice Presidents Alfred L. Aiken and L. Seton Lindsay, 3rd Vice Presidents Wilbur H. Pierson, Charles H. Langmuir and Griffin M. Lovelace, and other officers.

Thirteenth floor: Meeting-room of Board of Directors, offices of President Kingsley, Vice President Thomas A. Buckner, and Vice President John C. McCall, Law Department (Louis H. Cooke, General Counsel), Secretary Leo H. McCall and the Assistant Secretaries, the Civil Service Committee, the Employment Department.

Fourteenth floor: Department of Supplies and Service, Advertising, Hospital and Medical Welfare Division, dining room for officers.

The Company also occupies space on the fifteenth floor for its Telephone Exchange and on the twenty-fifth floor for the Building Superintendent and the Superintendent of dining rooms.

The rest of the thirty-four floors of the building are at present available for tenants, but it is quite conceivable that if the Company continues to grow at its present annual ratio it may not be many years before it needs the entire building for its work.

At the beginning of this chapter the New York Life was compared to a constitutional democracy, or a republic. That metaphor will occur again to the reader on learning that the New York Life has adopted the most modern principles of welfare work in connection with the individuals who make up the "no mean city" of several thousand inhabitants, including the thirty-eight hundred employees and the considerable and increasing number of tenants. There is a system of pensions, sick benefits and death benefits for the salaried clerks,

there is a Medical Welfare Department* which conducts a well equipped hospital unit in the building for the treatment of accidents and cases of minor illness among the employees; there is a visiting nurse who calls upon clerical employees confined to their homes by illness; there are large dining rooms where the small army of clerks, as a part of their compensation, are furnished with well cooked and well served luncheons without charge; there are rest and recreation rooms; there is maintained in a picturesque section of Westchester County a farm where the women employees may spend their vacations or go for necessary recuperation; there is a large camp on a beautiful lake in Bear Mountain Park, for the vacation use of male employees and their families. A mutual benefit club of male employees, called the Goodfellowship Club, organized with the approval of the chief executives, supplies a source of social intercourse for the men em-

*To the layman this department, administered by Dr. William Hammer, Assistant Medical Director and Chief Medical Welfare Officer, must make a strong humanitarian appeal. Its relation to the employees and officers of the Company is similar to that of the Medical Board to the policy-holders. Every applicant for a clerical position is given a physical examination by this department. Those with serious physical impairments are not employed; those with slight physical impairments are regularly treated. Every employee has an annual physical examination. During the calendar year ending September 30, 1929, the average number of examinations, consultations and treatments for employees per month was 1,325. This system not only benefits the individual employee but is of advantage to the Company because it maintains a high standard of physical efficiency in its working force and is a factor in the saving of labor turnover. These health conservation examinations not infrequently reveal the presence of ailments which exist without the knowledge of the afflicted person. Among these may be mentioned high blood pressure, the beginning of kidney disease, heart disease and incipient pulmonary tuberculosis. During the calendar year of 1928, thirteen positive cases of tuberculosis were discovered in the clerical force. These patients were placed under proper treatment in sanatoria, thereby increasing their chances of recovery. Sanatorium treatment teaches the patient how to care for himself and, furthermore, removes a source of infection of fellow employees and members of his family.

346 Broadway
Home Office of the Company from 1870 to 1928

ployees. There is a similar club for the women employees whose members, in addition to the usual social functions of such associations, have access to a nearby gymnasium and swimming pool. It is the belief of the executive officers that, as the office-workers of an organization like the New York Life spend a third of all the allotted hours of a human lifetime at their daily tasks, the surroundings of their work should be as agreeable and as hygienic as it is possible to make them. There is a special reason, aside from mere comfort, for the maintenance of the Company dining rooms. Dietetics—that is, the proper preparation and eating of foods—forms an indispensable part of life insurance. Medical scientists are constantly telling us this in technical language about calories and vitamins. But the necessity of dietetics has never been put in a more popular form than in the rhyming epigram of the English poet and novelist, Lord Lytton:

> We may live without poetry, music and art;
> We may live without conscience and live without heart;
> We may live without friends; we may live without books;
> But civilized man cannot live without cooks.

If the policy-holders feel that in the Nylic republic, in which they are the electors, their interests are being satisfactorily guarded and fostered by the employees of the Home Office and of the Agency Force, they may also have the added satisfaction of knowing that the welfare of these workers is carefully protected. The office and agency workers correspond to the civil servants in the employ of a government. Indeed this metaphor has found its way into the terminology of the departmental organization. There is a Civil Service Committee, composed of officials of the Company,

which has jurisdiction over the employment, dismissal, efficiency, promotion and salaries of the clerical employees. Its findings and recommendations are submitted for approval to the Office Committee. All engagements involving salaries of more than $5,000 a year must be approved by the Board of Directors. A retirement pension plan has been adopted by the Board of Directors with the approval of the Insurance Department of the State of New York. All requests for retirement under this plan are first considered by the Civil Service Committee (in the case of Home Office employees) and by the Agency Committee (in the case of salaried members of the Agency Force). The recommendations of these two Committees are submitted for final disposition to the Office Committee. It will thus be seen that, on the one hand, justice and welfare are provided for the employees and, on the other, the policy-holders who own the business are guarded against inefficiency, waste or extravagance. The taxpayers of the United States—especially the taxpayers of our State and Municipalities—might well set before themselves, as an ideal to be striven for, a form of government as truly democratic and yet with as high standards of efficiency and economy as that which is typified in the administration of the New York Life.

CHAPTER XIII

Notable Achievements

GENERALLY speaking, the most notable achievement in a career of any man is the maintenance of life itself. Unless he achieves life and growth he can achieve nothing else. The first duty, therefore, of any living organism is to so regulate its life—or to have its life so regulated—that it may make the best contribution of which it is capable to the welfare of its genus or group. If this is accomplished in the life of an individual man, he is a success. Theodore Roosevelt once put this simple but comprehensive philosophy of achievement in an effective address to the undergraduates of the University of Cambridge, England, on his return from Africa in 1910:

> I never was an athlete [he said], although I have always led an outdoor life, and have accomplished something in it, simply because my theory is that almost any man can do a great deal, if he will, by getting the utmost possible service out of the qualities that he actually possesses.
>
> There are two kinds of success. One is the very rare kind that comes to the man who has the power to do what no one else has the power to do. That is genius. I am not discussing what form that genius takes; whether it is the genius of a man who can write a poem that no one else can write, *The Ode on a Grecian Urn,** for example, or *Helen Thy Beauty Is to Me;*† or of a

*John Keats. †Edgar Allan Poe.

man who can do one hundred yards in nine and three-fifth seconds. Such a man can do what no one else can do. Only a very limited amount of the success of life comes to persons possessing genius. The average man who is successful—the average statesman, the average public servant, the average soldier, who wins what we call great success—is not a genius. He is a man who has merely the ordinary qualities that he shares with his fellows, but who has developed those ordinary qualities to a more than ordinary degree.

Take such a thing as hunting or any form of vigorous bodily exercise. Most men can ride hard if they choose. Almost any man can kill a lion [allusion had been made by the undergraduate presiding officer to Roosevelt's lion hunting exploits in Africa] if he will exercise a little resolution in training the qualities that will enable him to do it. [Taking a tumbler from the table, Mr. Roosevelt held it up.] Now it is a pretty easy thing to aim straight at an object about that size. Almost anyone, if he practices with the rifle at all, can learn to hit that tumbler; and he can hit the lion all right if he learns to shoot as straight at its brain or heart as at that tumbler. He does not have to possess any extraordinary capacity, not a bit,—all he has to do is to develop certain rather ordinary qualities, but develop them to such a degree that he will not get flustered, so that he will press the trigger steadily instead of jerking it—and then he will shoot at the lion as well as he will at that tumbler. It is a perfectly simple quality to develop. You don't need any remarkable skill; all you need is to possess ordinary qualities, but to develop them to a more than ordinary degree.

It is by this comforting doctrine that the New York

Life is to be primarily judged. It has lived and steadily grown for eighty-five years. That fact is notable in itself. Moreover, while it has shared with other companies of its kind the qualities that are inherent in the general institution of life insurance it may fairly be said to have developed "these ordinary qualities to a more than ordinary degree." Measured by this standard it may also claim to have been successful.

But this is not all. It has accomplished some things that are touched with genius, that give it a standing of its own apart from its fellows, that make it comparable to the athlete who can run a hundred yards in nine and three-fifths seconds. In baseball parlance its batting average is good; but it has some notable home-runs to its credit which entitle it to special distinction in the league of American life insurance companies. It is the purpose of this chapter to bring these notable achievements to the reader's attention.

When life insurance was established in this country, now nearly a century ago, the fundamental principle with which it had been conducted in Europe was accepted without question. That principle, known as tontine, takes its name from an Italian, Lorenzo Tonti, who developed it about the middle of the seventeenth century. A tontine is a group associated on such terms that on the death or retirement of one of the members the pecuniary advantages accumulated to his credit are distributed to the credit of the surviving members. On this principle the first American mutual life insurance companies were tontine associations in one important respect. Policy-holders who allowed their policies to lapse by non-payment of premiums got nothing for the money they had paid into the company, but their premiums were added to the fund accumulated

for the benefit of policy-holders in good standing. The lapsing policy-holder, to be sure, had whatever satisfaction he might derive from the feeling that he had received protection during the term of his policy, but the financial unfairness of forfeited premiums gradually permeated the consciousness of the insurance world.

In 1860, at the second annual convention of Life Underwriters, the subject of forfeited policies was hotly discussed. Most of the standard companies defended them on the ground that the forfeited premiums were an essential factor in creating the fund for the payment of death losses. But Elizur Wright, formerly a professor of Mathematics and Natural Philosophy in an Ohio college, but at the time of the Convention an Insurance Commissioner of the State of Massachusetts and a distinguished figure in both the theory and the legal practice of life insurance, urged that forfeited policies should be prohibited by law. The New York Life took no part in the discussion, but less than a month after the Convention the executive officers proposed, and the Board of Directors adopted, a plan formulated by Actuary Rufus W. Weeks by which "after the payment of two or more premiums, and either from want of ability, or from any other cause, the payments are discontinued, the policy does not become forfeited, but in lieu thereof a new one will be issued to the original policy-holder, if living, for an equitable proportion of the money paid, or if deceased, a similar amount will be paid to his family or legal representatives." This plan was adopted on the ground that "objections are not infrequently made to the present system that in the event of inability promptly to meet the annual premiums, the money previously paid becomes a total loss to the assured." In his next annual report the Superintendent of Insurance in the

State of New York, publicly commended this voluntary action on the part of the New York Life. It was not mere obedience to law, for there was no statute on this subject in the State of Massachusetts until eight months later, and in the State of New York until nearly twenty years later. This action of the New York Life marked an epoch in life insurance. There is in the archives of the Company a circular issued in 1867 which contains the following statement: "This Company originated and introduced the new feature known as the Non-Forfeiture Plan, which is rapidly superseding the system of life-long payments, *and has revolutionized the system of Life Insurance in the United States,* and which has since been adopted by all Life Companies; thus attesting the force of public opinion in favor of a system so favorable to policy-holders as that established by the New York Life for the benefit of its Members. It has received the unqualified approval of the best business men of the land, *large numbers of whom have taken our policies under it simply as an investment.*"

The next important step taken by the New York Life in guarding the vested rights of the insured was the issuance, at the beginning of President McCall's régime, in 1892, of an "incontestable policy." This policy contained a clause, if not original at least novel in the practice of life insurance at that time, which stated that the Company, after the policy had been in force one full year, would not contest its payment provided the premiums had been duly received. The principle of incontestability has been maintained by the New York Life, in some form, from that time to this and is now required by the laws of the State of New York and other states. All policy forms of the New York Life now include the following statement as a part of the contract: "This Policy shall be incontestable

after two years from its date of issue except for non-payment of premium and except as to provisions and conditions relating to Disability and Double Indemnity Benefits."

The mention of Disability and Double Indemnity Benefits will suggest to the members of the Agency Force who may read these pages, the very notable work which the New York Life has done in the extension of the advantages of life insurance to classes of policy-holders who were thought by the founders of the business to be outside of the limits of even possible consideration. But before entering upon a review of this aspect of the Company's history, which will require treatment at some length because of its social import and profound influence on the science of life insurance in general, it may be well to remind ourselves of one or two matters of administration which are indicative of the progressive character of the Company's growth. Take the matter of investments, for example. Allusion has already been made in a previous chapter to the detailed and unremitting supervision which the officers and directors of the New York Life give to the investment of the policy-holders' savings. The insurance laws of the State of New York, amended in 1906 as a result of the Armstrong Investigation, restricted the investments which life insurance companies were allowed to make to certain specified classes of bonds and to real estate mortgages. The purchase of the stock of corporations was prohibited. As the New York Life had previously disposed of all the stocks which it owned, in order to comply with the provisions of the insurance law of Prussia, these restrictions did not materially alter its investment policy. In 1906, when the Armstrong Laws went into effect, the investments of the Company were chiefly in bonds. It is true

that a very large and important item of the Company's assets was then, and is now, composed of policy loans and premium notes. But these are really not investments in the ordinary sense of the word since they are in fact advances to the policy-holders against their policies in accordance with the terms thereof. As an asset, this item, of course, has the best possible security behind it, and so, perhaps, the Company has no special claim to appreciation for its liberality in making such loans. But it does attempt to facilitate in every possible way the convenience of the policy-holder in drawing these advances. In a later chapter there will be related some striking instances of the value to policyholders of this system of policy loans.

The New York Life was one of the first large insurance companies to recognize the desirability of investment in public utility bonds and to extend its mortgage loans on improved city property to include loans to farmers on their productive agricultural lands. The Legislature of the State of New York has recently amended its insurance laws to permit life insurance companies to invest in preferred stocks after securities of this class have passed certain strict tests, and the Company is now conservatively testing this opportunity to add to the profitable holdings of its members. The assets of the New York Life as this book goes to press amount to more than one billion, six hundred millions of dollars. What is of basic importance to the policyholder is confidence that this huge sum shall be so invested as to secure for him a safe and reasonable return from his deposits with the Company. This is assured by the character and work of the Finance Committee which has been already described.

There is a social aspect of these investments which ought not to be ignored. It is picturesquely brought

out in a letter to the author from an Agency Director in the West:

> A short time ago I interviewed a native of Nebraska, a Scandinavian whose home had always been very near to where Willa Cather discovered "My Antonia." He said he was thirty-two years old and was born near where he was then living. I asked him what was the biggest thing that had happened in the history and development of that part of the country. He said the building of the Burlington Railroad. What next? The building of a town near his farm. What next? Securing cheap money to improve and develop his farm. What next? Good schools to which to send his children that they might obtain an education, thereby becoming more useful citizens. . . .
>
> Then I explained how our institution [by its investments in railroad, municipal and utility bonds, and mortgage loans on city and farm properties] had helped to make possible the railroad, the cheap money for development of his farm, the school to which he could send his children, and also had been a big factor in the building of a large city within the borders of his State as a market for his farm products. He said: "I see it all. It never was explained to me before so I could understand. I think I would like to join."
>
> Men have souls. It is said Institutions do not. Our institution in its operations expresses the best thoughts and efforts of its founders and their successors who have had one mind as to the welfare of the millions of people it has served in the past eighty-five years and the added millions that it will continue to serve in the years to come. I maintain our institution has a soul.

It was this thought of the public welfare that led the New York Life, the first Company of its kind to do so,

to write a policy in plain language, free from technicalities, which could be understood by any person of average intelligence. A representative of the Company, in correspondence with the author, has emphasized its straightforward policy-forms; "Among the outstanding achievements of the New York Life, from my point of view, is its far-seeing policy of anticipating the needs of its policy-holders, in always being in the lead to incorporate modern innovations in its new policies, yet not swerving from the path of standard lines which only tend to befuddle the insuring public into believing they are getting something for nothing, —such, for instance, as the half-rate policy or the modified life policy, etc. I have been told on numerous occasions by policy-holders in this territory that they would much rather pay a higher premium to the New York Life than to any other company because of the universal service and fair treatment that has always been accorded them."

In this record it should be noted that the New York Life was the first American life insurance company to publish in detail a financial report of the Company for the policy-holder and the general public. Prior to Mr. McCall's administration it was not the practice in the insurance world to issue to individual policy-holders complete statements of assets and liabilities. There lies before the writer, as these words are being penned, a little pamphlet issued on December 1, 1899, in which the following statement, signed by Mr. McCall, appears: "The New York Life Insurance Company is the only insurance company in the world which furnishes to its policy-holders and the public such detailed information regarding its assets, liabilities and management as will be found in the pages of this pamphlet." The Armstrong Laws of 1906 required, and

still require, all life insurance companies operating in the State of New York to publish a detailed report of every dollar of income and disbursements, but that fact does not subtract from the honor due to the New York Life for having voluntarily inaugurated this commendable practice some years before the State of New York imposed it as a legal duty.

With regard to the improvements in the administration of its own business affairs it may be said that the New York Life has merely developed ordinary qualities to an extraordinary degree. But there are fields in which it deserves special recognition for originality, —the insurance of women, for example.

Are women persons? It seems absurd to ask that question in view of the phenomenal advance towards social and political equality with men which American women have made in the brief period of ten years that has elapsed since the adoption in 1920 of the 19th Amendment to the United States Constitution giving nation-wide suffrage to women. But it is only necessary to recall the fury of the discussion which raged when that amendment was under consideration to realize the legal and political disabilities of women during the first two hundred years of our colonial and national existence. A bit of humor sometimes exposes the weakness of political philosophy better than whole volumes of serious dissertations. During the suffrage discussion of 1919 there appeared in an English paper a cartoon of a brilliant dinner-table at which a splendid specimen of womanhood was seated next to a puny and dyspeptic-looking curate of the Church of England. The curate expressed an objection to conferring the suffrage upon women on the ground that he feared it might make them masculine. The lady, looking down upon his diminutive figure, retorted: "Well, it doesn't seem to have had that effect upon the clergy."

The natural irritation of this British suffragist at the obtuseness of some of the male opponents of women suffrage was shared by many American women. For it was not until the middle and latter part of the nineteenth century that women in this country were ungrudgingly admitted to the higher forms of education and industry. Opportunities for high school and collegiate education were not open for women until some years after the New York Life was founded and the pioneers in the movement for the so-called "higher education of women" were almost as bitterly opposed in 1850 as were the proponents of woman suffrage in 1920. As to women in industry, a competent authority says that as late as 1916 women seeking industrial freedom were hampered by certain disabilities which were "a curious intermingling of the ideas of protection and of subjection to man."* The movement for the enfranchisement of women has gone on very rapidly during the first quarter of the twentieth century,—so rapidly that there are critics who seem to fear that it is in some quarters developing a sense of domestic irresponsibility,—critics like the *Arkansas Gazette,* of Little Rock, which facetiously remarked in a recent issue: "The ultimate in household efficiency will be reached when it is possible to cook breakfast on the cigarette lighter." In spite of good-humored jokes, however, the fair-minded sociologist will admit that woman has been set free from what was too often a kind of domestic serfdom and that there have been opened to her new and interesting fields of political, professional and industrial activity.

In this legal and social advancement of women the New York Life has taken a leading part. Women occupy responsible positions in its administrative organization. One of its Branch Offices is composed

*The International Encyclopedia.

entirely of women agents under the management of a woman Agency Director. But it is in its attitude towards the insurability of women that the leadership of the New York Life has been most markedly displayed. It was one of the pioneers, if not the first company in the United States, to grant insurance to women at the same premium as to men.

Prior to the year 1894 the New York Life charged an extra premium for the insurance of women. At that date this was the practice of the few companies which reluctantly insured women at all. Most companies declined to insure women on any terms. The apparent mortality among women seemed to the New York Life to justify the extra premium. In 1894 the Company decided to create a special class for women with premiums the same as for men but with dividends depending upon the experienced mortality of the class. In this experiment the mortality improved but it was still higher than might have been expected from the statistics of population and of industrial companies insuring large numbers of women. These statistics showed that women lived longer than men. Logic therefore indicated that the nearer the Company could approach to insuring, with reasonable restrictions, the whole population of women the better mortality it would have. So in 1900 the Company decided that it would freely insure women on the same terms as men. The experience of thirty years has confirmed the wisdom of this decision. The New York Life was one of the first companies to adopt a program of this liberal character with regard to women and to reap the reward of insuring large numbers of them, with a resulting mortality which is lower than among men. In connection, however, with the disability benefits which have been issued to women in recent years the experience of the New York Life

and of other companies leads to the conclusion that the cost of granting disability benefits to women is greater than to men. The higher rate of disability, both from accident and sickness, among the former than among the latter is due partly to physiological differences between the two sexes and probably partly to the fact that as income earners men have to continue at work under conditions of ill health or physical impairment which women cannot or will not endure.

Although compelled by higher costs to offer disability benefits to women at higher rates than to men the New York Life is as liberal in this respect as any other prominent company.

As a result of the Company's liberal viewpoint its volume of policies written on the lives of women has increased in a generation from about 1% to nearly 15% of the applications which it receives. Its actuarial experience has given the Company especial confidence in its women members, and the steady increase in the number of its women policy-holders warrants it in believing that this confidence is reciprocated.

In point of time, the next advance which the New York Life made in enlarging the scope of life insurance was to add Double Indemnity and Disability provisions to its ordinary life policies.

In the year 1915 the Company commenced to grant Double Indemnity in the event of the insured being killed in an accident on a railroad train or other common carrier. In 1918 this coverage was extended to include death due to any kind of external, violent and accidental means, except in those hazardous occupations where the death rate from accident is shown by actuarial tables to be more than three times the normal mortality. The experience of the Company since 1918 shows that the principal causes of death, for which it

has paid the double indemnity, are automobile accidents. These cover more than one-third of the total. The next most common cause is drowning, which occurs principally in the summer and usually among younger people. Murders cause about 8% and falls of all kinds about 7% of the deaths from accident.

The first disability benefits in connection with life insurance in this country were granted by a few fraternal orders about thirty-five years ago. These generally provided for payment of half of the face of the policy. In 1896 the Fidelity Mutual of Philadelphia granted a disability benefit which provided that if the insured became disabled before age 65 he could have either a paid-up policy or an annuity. This followed an attempt, a year previously, by a group of Philadelphians to start a company which would issue policies guaranteeing to pay the total premiums under all life insurance policies held by the insured so long as he was totally and permanently disabled. The Travelers Insurance Company in 1904 adopted the idea of a disability benefit in its life insurance policies. None of the other large companies made any move in this matter until the New York Life Insurance Company in 1910 issued a simple waiver of premium on total and permanent disability. This action was followed by many prominent companies, until today among fifty of the principal companies in the United States there is not one which does not grant some form of disability benefit.

The New York Life began cautiously by the waiver of premiums, that is to say, the disabled policy-holder was relieved from paying any further premiums, and yet the death loss, cash surrender and loan values of his policy remained the same as if premiums had been paid in cash. Its experience during the past twenty

51 Madison Avenue
"The New Home Office," occupied in December, 1928

THE NEW HOME OFFICE

As a matter of record the following inscription which has been placed on the wall of the main corridor is here reproduced:

New York Life Insurance Company Building
Construction of This Building Was
Begun August 24, 1926 and Completed 1928
Darwin P. Kingsley, President

BOARD OF DIRECTORS

Lawrence F. Abbott
John E. Andrus
Nathaniel F. Ayer
Cornelius N. Bliss
Mortimer N. Buckner
Thomas A. Buckner
Nicholas Murray Butler
George B. Cortelyou
Walter W. Head
Myron T. Herrick
Charles D. Hilles
Alba B. Johnson
Percy H. Johnston
Willard V. King
Darwin P. Kingsley
Richard L. Manning
John G. Milburn
Gerrish H. Milliken
Frank Presbrey
John J. Pulleyn
Fleming H. Revell
George M. Reynolds
Hiram R. Steele
Jesse Isidor Straus
Ridley Watts

BUILDING COMMITTEE

Darwin P. Kingsley, President
Chairman

Thomas A. Buckner
Vice President
Alfred L. Aiken
Second Vice President
Walton P. Kingsley
Third Vice President
John J. Pulleyn
Lawrence F. Abbott
Nicholas Murray Butler
George B. Cortelyou
Percy H. Johnston
John G. Milburn
Frank Presbrey

Leo H. McCall, Secretary

To this personal list may be added what Mr. Kingsley said of the building at the commemorative dinner on December 12, 1928.

> Opening this Building (in my judgment the most beautiful business building in the world) is an event of importance, even to New York having fifty buildings, any one of which would be notable, even singular, in any other city of the world. It is an event of first importance to the Company, of course, and to Life Insurance as well. It is important to the architect, Mr. Cass Gilbert, and his associates, whose genius designed it, whose great fame is enhanced by it. It is important to the builder, Mr. Paul Starrett, and his associates, whose organized hosts of craftsmen have turned inert steel, stone, brick and cement into this beautiful, complex, almost living body. . . . The sky-line of New York is singularly beautiful because it expresses Power; it strikes a new note of Power. . . . In this Building, never forgetting that its cost is an investment of trust funds, and that its justification lies in the fact that it is necessary, we have aimed to achieve that new type of beauty.

years has enabled the Company to liberalize the disability provisions of its policies until it now not only waives the premiums of the disabled policy-holder but pays him a monthly cash income as stipulated in his policy contract. The New York Life was the first company to cover all cases of total disability lasting more than three months. In the development of the underlying principles of disability benefits the New York Life desires to furnish protection to the family during the loss through ill health of its bread-winner's income, and to continue the insurance in force without a lien against it when the insured and his family are least able to pay the premiums.

By all odds the most valuable contribution which the New York Life has made to the efficient practice of the art of life insurance, and the most notable achievement of its career, is the creation of a scientific system of insuring impaired or substandard lives. Exacting critics may say that many historical factors and the work of many separate individuals have entered into the establishment of "substandard insurance" and that therefore to name the New York Life as its discoverer is an exaggeration. Nevertheless, this claim on behalf of the New York Life is not made here without due consideration. In an article on the bicentenary of Edmund Burke, the London *Times* recently said: "It is true that there are no discoverers of ideas. The League of Nations, the Original Contract between King and people which lingers so strangely in Burke, the Liberty, Equality and Fraternity of the Revolution, were in many minds before they became visible and important. And when you have given Darwin the glory of discovering Evolution, a critic may point out Wallace as having seen it before him and even remark that Tennyson had put a good deal of it into verse

before Darwin printed a page. But a man who gives an idea its place in the world will always be counted as its discoverer." George Stephenson justly appears in history as the inventor of the steam locomotive, although rudimentary engines of this kind were made by others before him. Edison is honored on both sides of the Atlantic as the inventor of the incandescent electric lamp, although a filament had been made to glow by application of electricity in a vacuum some years before he attacked the problem. The New York Life gave the idea of substandard insurance its place in the world and is therefore to be counted as its discoverer. The effect of this discovery on the institution of life insurance has been so profound that an entire chapter will be required to tell the story of its inauguration.

CHAPTER XIV

Substandard Business

In its original and simplest form life insurance was a contract by which the insurer agreed, on the death of the insured, to pay a stipulated amount of money to his heirs on receipt from him of certain fixed annual sums called premiums. It was, of course, to the advantage of the insurer to have the insured live as long as possible in order that annual payments for premiums should on the average, cover the obligations written in the contract. Thus at first policies were written only on the lives of people whose physical condition came up to certain rather high standards. So it came about that "to most life companies there were only two classes of people in the world: one was entitled to all the privileges and benefits of life insurance; the other was entitled to nothing."* Perfect physique won the race for insurance; imperfect physique was disqualified. Eclipse was first and the rest nowhere, to use the well-known phrase which Lord Macauley employed to describe the exclusive superiority of Boswell as a biographer.†

*Hudnut.

†Eclipse was a famous horse which won a historic race at Epsom towards the end of the eighteenth century. The passage in Macaulay's classic essay reads: "The Life of Johnson is assuredly a great, a very great work. Homer is not more decidedly the first of heroic poets, Shakespeare is not more decidedly the first of dramatists, Demosthenes is not more decidedly the first of orators, than Boswell is the first of biographers. He has distanced all his competitors so decidedly that it is not worth while to place them. Eclipse is first and the rest nowhere."

At first, as has already been noted in an earlier chapter, applicants for insurance in England were personally inspected by the officers or the directors of the life insurance Company in much the same way as applicants for loans were examined in the early days of commercial banking. As the medical basis of life insurance developed, however, it became the practice to require the examination of the applicant by a competent and trained physician in order that there might be a basis for a determination of the applicant's expectation of life. But even this failed to establish absolute standards. For "medical directors did not themselves agree as to what constituted a first-class risk, and the absurdity of the situation was frequently demonstrated by one company insuring a man whom another company had rejected."*

This anomalous situation in the determination of medical risks was brought to the attention of the New York Life in a somewhat amusing fashion. In the year 1892 Dr. Oscar H. Rogers, then a young assistant Medical Director of the Company, was called to the office of Dr. Tuck, the Chief Medical Director, to confer with an important agent of the Company who had come in to complain of the rejection of some of his applicants. "Why," exclaimed the agent bitterly, "the mortality among your rejections is better than among those whom you accept!"

This was a manifest exaggeration, but it set Dr. Rogers thinking on new lines. All earlier efforts to assemble information on which the risk of under-average lives could be assumed had failed because the information was irrelevant. This was a new suggestion and Dr. Rogers immediately asked Vice President Tuck whether he would authorize expenditures suf-

*Hudnut.

ficient to follow up a group of rejected lives and see what had actually happened to them. Vice President Tuck agreed. Dr. Rogers then took the matter to Mr. George W. Perkins who, with his accustomed celerity of mind, at once grasped the importance of the plan and set it in motion. Mr. Frederick W. Frankland, a distinguished actuary of England and her Australasian colonies, was brought to the New York Life to aid in this investigation, which later proved to have a profound influence on the science of life insurance. Mr. Frankland was a remarkable personality. His father, Sir Edward Frankland, was a gifted research-chemist and an intimate associate of the great zoölogist Huxley and a small group of British scientists who formed the "X Club," now famous in the literary annals of the scientific renaissance of the nineteenth century. In conjunction with Mr. Rufus Weeks (then Actuary of the Company), with Mr. Frankland and later with Mr. Hunter (the present Chief Actuary of the Company), Dr. Rogers carried on for a number of years a scientific investigation of the effect of physical impairments on the duration of life. Prior to 1892 there were no available statistics in this country which were reliable in connection with the insurance of persons with impairments such as a consumptive family history, albuminuria, heart murmurs, overweight or underweight, and so forth. In the investigation inaugurated by Dr. Rogers records were obtained of those who were declined by the New York Life during the previous fifteen years. Letters were written to the applicant, to his references, to agents and to every other available source of information, to ascertain whether the applicant was alive or dead, and if the latter, the cause of his death. The physiological history of a very large percentage of the rejected applicants was traced in this

way. In preparing these mortality ratios the Company assumed that the death rate among the persons who could not be traced would be much higher than among those whose history was known. With these simple statistics, supplemented by what could be gathered in Great Britain where a rudimentary form of substandard business had been done for a number of years, the Company commenced to issue policies on a restricted group of substandard lives where the statistics it had gathered were sufficiently numerous to give reasonably trustworthy results. As the experiment continued the groups which were insured were expanded. Where no statistics were available opinions were obtained from experts as to the probable effect of specific impairments on mortality.

It must not be assumed that the Company immediately began to grant insurance at the beginning of the investigation. As a matter of fact, the scientific studies were continued for a period of over three years, and it was not until July 1, 1896, that the first substandard policy was issued. Dr. Rogers estimates that in the process of investigation as many as 25,000 rejected lives were studied. "At the same time," he says, "our studies in insured lives ranged, in various classes of risks, over the entire membership of the Company for twenty years between 1870 and 1889." These figures have only to be stated to show the vast detail and the scientific methods involved in the investigation.

As the substandard business grew it became apparent that some more efficient method of handling it must be discovered than referring each individual case to a Medical Director for decision. "Constant application to the work of selection," says Dr. Rogers, "soon fatigues the mind of the Medical Director. His perceptions become less acute and his liability to error

increases. I have known good men to make as high as two or more errors in a single day."

In formulating the mathematical system for the determination of the value of substandard risks, which should take the place of dependence upon the judgment of an individual medical expert, Dr. Rogers called in Mr. Arthur Hunter, who at that time was a junior member of the actuarial staff of the New York Life. Together these two men devised what is now known, not only in the New York Life but in life insurance companies generally, as "The Numerical System."

In the first chapter of this book, the reader will remember, some account was given of the "medico-actuarial" basis of life insurance. The interdependence of the doctor and the actuary has nowhere been carried to a higher state of efficiency than in the New York Life. Dr. Rogers who, as this book goes to press, is retiring from the post of Chief Medical Director of the Company, which he has held for seventeen years, has interpreted this interdependence in a clear and interesting fashion.*

"The functions of the Medical Director and the Actuary are alike in that both are advisory with reference to the lives which make up the membership of the company they serve. The Medical Director advises with respect to individual risks the Actuary with regard to risks taken in the mass. To know and to be able to make business application of the laws governing masses of lives is the peculiar province of the Actuary. To know and to be able to make business application of the laws governing the probable longevity of the individual risks and the types of risks

*An address on "Medical Selection," by Oscar H. Rogers, M. D., at the Nineteenth Annual Meeting of the Association of the Life Insurance Medical Directors of America, New York, October 21 and 22, 1908.

which compose these masses is the peculiar function of the Medical Director. It is true that life insurance as a business was carried on successfully before the laws of the mortality of insurance populations were understood. Medical selection also has been practiced successfully without such knowledge with respect to types of risks. But with the enormous growth of the business in both extent and complexity Actuaries have found it necessary to carry on elaborate studies of insurance populations as affected by various influences such as habitat, occupation, plans of insurance, and the like, until now actuarial science has attained a high degree of precision and the deliberations of the Actuarial Society have come to possess a most far-reaching importance. . . . The functions of these two advisers [the doctor and the actuary] of the company are prophetic and are moreover so interwoven that very often we may not say where the one leaves off and the other begins. . . . It is therefore of the first importance that there should be some medium of communication, some language if you please, in which the predictions made shall be easily intelligible to both the Actuary and the Medical Director and shall have the same significance to the minds of both. . . . I know of no greater absurdity than the practice which has been widely prevalent among the companies of permitting the Medical Director to decide with reference to a risk that it is not safely insurable on some one plan of insurance but is insurable on some other plan. . . . Should he not rather place himself in position to say with reference to each risk that he passes judgment upon the mortality to be expected from risks of this kind is 50% or 75% or 125% of the standards made use of by his company and leave to the Actuary to decide whether a risk of such a valuation shall be accepted or not, and if ac-

cepted where in the company's membership it shall be placed and upon what plan? This I am convinced is the logical procedure. These are the relations which should subsist between the Medical Director, the Actuary, and the company, and to the establishment of such relations and to the perfection of such an organization and such method all our efforts should be directed."

The New York Life does not conduct its business on the principle of "tell it not in Gath; publish it not in the streets of Askelon,"—a secrecy which the poet David advocated lest his competitors triumph over him. It has freely shared with its competitors whatever improvements it has been able to make in the administration of the business of life insurance. When the "Numerical System," as devised by Mr. Hunter and Dr. Rogers, with the support and encouragement of the executive officers of the Company, was put into operation a little more than twenty years ago, Dr. Rogers described it in a meeting of his professional colleagues of other companies in the following terms:

> Assume that a certain applicant is 40% overweight and that from our experience we know that persons of that degree of overweight show a mortality of 130% of our standard. Why should we not treat this particular overweight on a basis of 130%? Doing so, our foundation estimate of the value of this risk is 130. We now find that he is a lawyer in a fair way of business success. We know that lawyers as a class possess a very favorable mortality—85%, let us say, of our standard. Why should not our portly lawyer have this advantage of 15% due to his occupation? In passing judgment upon him as a risk for insurance we would certainly give him a mental credit therefor. Let us now ex-

press that credit numerically, and deduct 15%. The value of the risk at once becomes 115 instead of 130. Again, suppose that he has a heart lesion, let us say a mitral regurgitation. We know from our studies that these cases show on an average a mortality of 225%, or 125% in excess of the normal. The heart lesion being an average one, we add this excess of 125% to the mortality which we have already estimated, and thus determine that the value of this life is, so far, 240. We review other factors, family history, personal history, etc., in the same way, and finding that they are all normal, our final summation of the value of the risk is 240, which means that we estimate that such lives, if taken in large numbers, will probably show a mortality of 240%. Under the system which I am endeavoring to make clear to you, all the factors which go to make up the value of a risk have numerical equivalents in terms of a given standard, and their summation expresses our judgment of the risk with probably greater accuracy than the best man living is able to attain by weighing their values in his mind.

When the "Numerical System" was first outlined by Dr. Rogers to a distinguished medical expert of the insurance world (not a member of the New York Life staff) it was dismissed by this expert as an "iridescent dream." That dreams do sometimes come true is shown by the experience of the New York Life. The Company has now for more than twenty years written substandard business with complete success on the "Numerical System." It would be impossible to carry on a broad conservative substandard business without it and that form of business has extended the privileges of life insurance to classes of people who were formerly

entirely denied them. The records of the New York Life show that in 1896 its insurance in force amounted to $826,816,600 of which one tenth of one per cent was substandard business; in 1928 its insurance in force was $6,781,000,000 of which ten per cent was substandard business.

Writing to the author, a member of the staff of the New York Life pays a simple but impressive tribute to the social service performed by the scientific development of substandard insurance: "One of the greatest things the New York Life has done in its history was the decision to issue substandard business, thereby giving millions of dollars of protection to thousands of families who would otherwise not have it. I can appreciate it because I, myself, am a substandard risk and I am glad that the New York Life, in their judgment, has insured me to the extent of $25,000, and although I pay a higher rate than my true age normally costs, I am most happy to do so."

And President Kingsley sums up the whole matter in an epigrammatic phrase: "This contribution to Life Insurance has taken an innumerable army of men and women out of the Purgatory of the impaired and put them into the Paradise of the insured,"—a notable achievement indeed!

CHAPTER XV

The Drama of Life Insurance

THOSE engaged in the business of Life Insurance are spectators of a vivid panorama of human existence. They come into close contact with its tragedies and comedies; its hopes and despairs; its greed and generosity; its defeats and victories; its virtues and crimes. It would be easy here to fall into a discussion of the "whence" and "whither" of man, the evolution of the human race, why it is found on the face of the earth, whether it is the result of chance or purpose, what is the use of the endless struggle of each generation to prepare the way for the ensuing generation—all those questions of abstract speculation which have puzzled and entangled metaphysicians and philosophers for centuries—the questions dismissed by Omar Khayyam in the unforgettable quatrain:

> Myself when young did eagerly frequent
> Doctor and Saint, and heard great argument
> About it and about: but evermore
> Came out by the same door where in I went.

But these speculations are entirely outside of the purpose of this volume. We are concerned with actualities, not metaphysics. Good old Dr. Samuel Johnson once brought a theological discussion of free-will and predestination to an abrupt and effective conclusion by saying: "All theory is against the freedom of the

will; all experience is for it." The experience of life insurance sustains Dr. Johnson. Man does himself shape his course and achieve his ends. He who appreciates the true function of life insurance and believes in its civilizing influence has nothing of the *après moi le déluge* attitude towards life. His motivating thought is not "after me let the deluge come," but "after me come my son and my son's son." And so he plans for future generations.

Thus it is that the great mass of policy-holders respect life insurance and use it, as it was designed to be used, for beneficent ends. But, as happens with all human institutions, there are here and there persons who endeavor to exploit it for criminal purposes. It is still true that wolves may occasionally be found in sheep's clothing and that professional patriotism is the last refuge of some scoundrels. It is not, perhaps, surprising therefore that the New York Life, in common with all insurance companies, is compelled to maintain elaborate machinery for the detection of fraudulent claims. Such cases include attempts to secure by fraud the reinstatement of lapsed insurance, attempts by misrepresentation and perjury to obtain policies on uninsurable lives, attempts to collect insurance on the lives of persons falsely alleged to be dead, and last—but worst of all—murder of the insured by the beneficiary. In the experience of the New York Life there are at least fifty such fraudulent or criminal cases every year which require the employment of detectives and the prosecution of civil or criminal actions in the courts. A few instances taken from the records of the Company (in which the names are suppressed) reveal the supreme tragedy of the human race, which is that man created—so the old Hebrew poet tells us—"a little lower than the angels" can deliberately make of him-

self a perfect devil. There was certainly nothing angelic about K.

He was a well-to-do cattle dealer and butcher of California. He had become financially involved and had taken out a large amount of insurance amounting to about $100,000,—some of it payable to his wife, some of it payable to a bank which held his notes for a substantial sum. On a September evening a haystack was discovered on fire on his ranch. When neighbors and workmen, startled by the flames, hastened to the scene, they found K.'s automobile against the blazing haystack practically consumed. In it, burnt beyond recognition, lay a body which was apparently that of K. Pocket trinkets, keys and other belongings were identified as K.'s property and it was supposed that he had been mysteriously murdered. The body was buried as that of K. with the usual funeral ceremonies, which were largely attended by his friends and neighbors. There appeared, however, to be some suspicious circumstances which the New York Life decided to investigate. An autopsy showed that the remains of the dead man did not possess some of the known bodily characteristics of K. The dental structure of the dead body did not correspond to the records of K.'s dentist. A search was made and K. was finally discovered in another part of the country. He had murdered a tramp laborer, placed the body of this tramp with his own belongings in his own automobile, placed it against the haystack which he set on fire. After a long trial he was convicted and hanged for the murder. Why he should have framed this elaborate and criminal plot to provide insurance money for his wife and to pay his indebtedness to the bank is one of those mysterious psychological aspects of the criminal mind which cannot be easily fathomed. There was no suspicion that his wife was

aware of his plot or a party to it. In deserting her and his children there was some shred of conscience apparently left that led him to make this ghastly reparation to her for his desertion.

An Arizona rancher, by the name of B., who turned out to have had an unenviable reputation in his neighborhood, took a large amount of insurance in various companies, including the New York Life, on the life of a Mexican laborer in his employ, making himself the beneficiary. If it should be asked why the companies were willing to write policies on the life of an illiterate Mexican "greaser" it should be said that B. informed the companies that the insured, whose name was Miguel Bernal, was really his partner. After the policies had been written and one or two premiums had been paid, B. went on an ostensible business trip with Bernal into a sparsely inhabited part of Arizona. A passing tourist discovered the automobile somewhat damaged in a ditch, with Bernal in a dying condition and B. slightly injured. In the later investigation, B. told a skillfully framed and plausible story of an accident, and set about collecting the proceeds of the policies. But unfortunately for him, some Indians, although the scene of the accident was far from any habitation, happened to see exactly what occurred. Their gossip about the "accident" among themselves was overheard and led to an investigation. They told their story in dramatic fashion at the ensuing trial. They described how the Ford car, in which B. and Bernal were riding, bumped into the bank on the side of the road; how the Mexican got out first; how B. followed, attacked the Mexican with a heavy stone and beat him into insensibility; how he then dragged the dying man to the other side of the road and threw him over a retaining wall into a deep hollow; how he backed the

car by its own power out of the ditch and pushed it into the hollow after his victim. His own slight injuries had been received in the struggle he had with the Mexican who was fighting for his life. All these facts came out in the trial, as well as the fact that B. had tried previously to insure a Mexican employee who was rejected by the companies because of physical defects. B. was finally hanged for the murder, and the insurance which he hoped to collect would undoubtedly have been thrown out by the courts, if it had ever been contested, on the ground that it was applied for and obtained by fraud. The New York Life and one or two other companies, however, paid the orphan children of the Mexican a sufficient sum to provide for their proper care during their minority. This sum, with the approval of the Court, was entrusted to their legal administrator in lieu of any tenuous claim they might have had for suing the Company. In this case, as in all contested cases, the New York Life endeavored to do substantial justice not only to the individuals involved but to the great body of its policy-holders.

Many years ago the death by suicide of a policy-holder, whose name was W., was reported from San Francisco. He was unmarried; the proceeds of his policy were to be paid to his estate. The policy was incontestable provided the proofs of death were conclusive. A coroner's jury found that he had died by suicide. A woman, who claimed to be the dead man's fiancée, identified the body. Photographs of the body were carefully examined by the agent who insured the man and by the man's father and mother, all of whom were in a distant city, and pronounced to be genuine. Finally, unquestioned photographs of the man taken in life were sent to the Home Office by the father and mother and very carefully compared by experts in the

The Board Room in the New Home Office
51 Madison Avenue

Home Office with the photographs of the dead body. These photographs, together with the other apparent proofs of death, made the case seem perfectly clear and the proceeds of the policy were paid to the Public Administrator in California. But after the claim had been paid the then Medical Director of the New York Life, Dr. Vanderpoel, continued a study of the photographs and discovered that the ear-lobes in the two sets of photographs were not identical. The lobe of the ear has peculiar characteristics in every individual which are almost as distinguishing marks of identification as finger-prints. Dr. Vanderpoel revived a discussion of the case in the Home Office; but the experts disagreed on the ground that possibly a slight physiological change might have taken place in the ear-lobes of the insured between the dates of the earlier photographs and the photographs of the dead body.

Vice President Thomas A. Buckner was in Europe at the time, but on his return Dr. Vanderpoel brought the case under his consideration and he thought the ear-lobe difference warranted a careful investigation. The case was put in the hands of a very capable attorney in Chicago, who traced the insured to South America and South Africa on dates inconsistent with the date of his alleged death in San Francisco. But having been traced thus far, the clews failed, and nothing seemed to have been accomplished. Somewhat later a letter was seen by the alleged dead man's uncle, who lived in St. Louis, which led him to suspect that his nephew was not dead. He notified the Company of his suspicion. An officer of the Company at once went to St. Louis and discovered that the insured had been in correspondence with his parents who had formerly believed him a suicide and had not been parties to any deception, and were now willing to let

matters take their course. The insured man willingly met the lawyer and it was clearly proved that he was still living. But the Public Administrator of California still denied that he was living and the District Attorney of San Francisco asserted that his so-called reappearance was a scheme of the New York Life to recover money from the Public Administrator; that the State would not admit that the insured was still living unless he appeared in California and proved his identity; and that if he did appear, he would be arrested and charged with the murder of the man whose dead body had been taken for his. It is not necessary to go into the details of how the Chicago attorney for the Company took the supposed dead man to California, submitted conclusive proofs of his identity and got him out of the State without arrest. It was proved that the woman who identified the dead body was not the insured's fiancée and he denied that he had ever known her or seen her. The Company recovered the sum it had paid. It is manifest that there was some kind of a conspiracy fraudulently to obtain the proceeds of insurance by murder, but whether the policy-holder was a participant in the plot has never been determined, and the case remains to this day one of those mysteries of crime which makes the history of criminology so deep and unfathomable a record of human psychology.

This is, perhaps, the place to say that in such cases the New York Life sometimes spends more money in prosecuting a fraudulent claim than it would lose by the payment of the claim. It does this for the benefit of its other policy-holders and on the principle that the relentless prosecution of fraud and crime is essential for the maintenance of orderly and law-abiding civilization. The New York *Times,* in a wireless dispatch from Berlin, stated in the early part of 1929 that

a decision of the German courts in favor of the New York Life "was accepted as constituting a defeat for the policy-holders." It was not a defeat for the policy-holders but a defeat for a particular group of policy-holders who, in the judgment of the Company, were claiming a special advantage at the expense of the whole body of policy-holders. Whenever the Company brings a suit against a policy-holder, or goes into court to contest a claim of a policy-holder, it does so not from antagonism to policy-holders in general but to protect their interests from fraud or injustice. The Company would be false to its trust if it did not combat the attempt of any individual policy-holder to obtain by fraud or excessive claims a portion of the deposits not rightfully belonging to him.

General Counsel Louis H. Cooke of the New York Life says it has been his curious experience to find, in jury cases where unjust claims are contested, that even policy-holders of the New York Life who happen to be on the jury are sometimes prone to be antagonistic to the Company and sympathetic with the man who is being prosecuted or sued, as if a poor sufferer were being hounded by a rich and hard-hearted corporation. This is because the public is still not sufficiently educated as to the character and functions of a mutual insurance company. Such a company is a coöperative institution in which each member has certain clearly defined rights and cash credits. The rights of each member must be scrupulously maintained. When policy-holders get this conception fairly in their minds they will applaud every endeavor of the Company to ferret out and estop fraud and to oppose, by every legal and ethical means, excessive and unjust taxation. If a fraudulent claim is paid it is not the executive officers of the Company, or prosperous stockholders,

(for there are no stockholders), who lose the money. The losers are the honest policy-holders who are the real owners of the Company.

There are, of course, life insurance tragedies which do not turn upon fraud and in which the rôle of the New York Life is ameliorative rather than punitive. Such a case was recently described to the author of this volume by a representative of the Company in the following letter:

> During December, 1905, the writer was doing reinstatement work in Idaho. The Cashier of the local office told me that ex-Governor Stuenenberg had lapsed a small policy but that if I could reinstate him it would be a very splendid influence on other policy-holders. (This was during the time of the Armstrong Insurance Investigation.) I immediately went to Caldwell, Idaho, the home of the former Governor, was quite diligent and located him at about four o'clock in the afternoon, and after a very pleasant interview succeeded in reinstating him and getting his check. He walked over to the hotel with me, thanked me and wished me a Happy New Year. In less than twenty minutes after I left him he was assassinated as he was entering the gate at his home, a dynamite bomb having been used. As I had been pursuing him pretty much all day and was the last man seen with him while he was alive I was arrested for the murder and they had a rope over in the blacksmith shop all ready to lynch me, had I been unable to prove that I was all right and that my business was legitimate.
>
> The murderer was the notorious Harry Orchard, who had run ahead and put the bomb on the gate and then returned to my table at the hotel in an effort to establish an alibi.
>
> This was the famous case where the Western

Federation of Miners was involved and brought about the trial of Moyer, Heywood, Pettibone and St. John who were defended by Clarence Darrow, Orchard having turned State's evidence. The case attracted a great deal of attention at the time and not the least interesting feature to me was the fact that the Company held the policy did not require reinstatement and paid it under the continued insurance feature of the policy, not only paying the claim but refunding the check which I had collected.

The element of tragedy in Life Insurance is sometimes relieved by the element of comedy. A young banker, a bachelor twenty-eight years of age, recently applied to the New York Life for a policy of $25,000. In the event of his death the proceeds were to be distributed under a "designation of beneficiary,"—an elaborate document drawn by himself or his lawyer. This document provided for a supposititious "living, lawful wife," for his mother, for his sister, and for possible children and grandchildren. If all these heirs, real and imaginary should fail him, then one-half of the proceeds was to go to the heirs of his sister, one-quarter to his college fraternity and one-quarter to a church in which he was interested. If twenty-one years after the death of the insured, dissolution or other unforeseen changes of existence should make the foregoing provision inoperative then the money was to go to the insured's executors, administrators or assigns. Now the New York Life believes in looking into the future, but not quite so far into the future as this. After a voluminous correspondence, in which the Company made every effort to comply with the wishes of the applicant and his attorneys, it declined to issue the policy on the ground that to try to deal with the imagi-

nary wife, children and grandchildren of an unmarried man would involve the Company in complications and contingencies not contemplated in its ordinary deferred settlement contracts. A sense of humor might have saved the applicant a considerable expenditure in fees to the lawyer who, doubtless with great solemnity, drew his elaborate but impractical trust agreement.

The officers of the Company sometimes have to maintain their serenity by the exercise of a sense of humor in dealing with an occasional unreasonable or mistaken policy-holder. An anecdote related to the author by Actuary Grow is a case in point:

> Many years ago when I was a clerk in the Correspondence Division of the Actuarial Department I remember that Mr. Weeks had a rather stirring correspondence with a policy-holder who lived in Maine. This man had a policy on which the premium was much smaller than the amount required on such a policy. For example, the policy may have been issued on the Ordinary Life Plan for $10,000 and the premium written in the policy was for only $1,000.
>
> Mr. Weeks, who was then Actuary of the Company, wrote a number of letters to this man and asked him to return the policy for correction. The man flatly refused to do this on the ground that he knew nothing about the premium and that if he had received a bargain he proposed to keep it and pay only the premium called for in the policy, and he should expect the Company to perform its part of the Contract.
>
> I happened to be in Mr. Weeks' office one day when Mr. Hornblower* came in. At that time the Company had no resident General Counsel but

*Wm. B. Hornblower, a Director of the Company from 1890 to 1906 and later an Associate Justice of the Court of Appeals of the State of New York.

Mr. Hornblower, who was also a Director of the Company, acted as its legal adviser.

Mr. Weeks showed the correspondence to Mr. Hornblower and asked him if he thought it was a case where the Company should sue for reformation of contract. Mr. Hornblower replied in a rather dry way: "I think not. I would simply write him a letter consisting of two paragraphs. The first paragraph in effect would tell him that because of the error in the policy the Company would not agree to pay him more than the premium called for in the policy would purchase. The second paragraph would say, 'If you prefer to buy a law suit for your wife on the installment plan it seems useless to offer you any further advice.' "

The effect of this letter was to convince the policy-holder of the impossibility of yielding to his demand for preferential treatment.

There are, of course, innumerable instances of the dramatic way in which the protection of life insurance has saved entire families from disintegration on the death of the husband, father and breadwinner. Perhaps as good an illustration of this fundamental service of life insurance as can be given here is related in the following letter:*

About twenty-five years ago I was traveling by horseback through a sugar plantation on the Island of Kauai in the Hawaiian group. I passed a small house in front of which three small children were playing. I went up, inquired for the father, who was a young Scotchman, and after a great deal of difficulty succeeded in getting him to apply for a $1,000 policy. I tried my best to

*Letter to the author from F. A. Wickett, Inspector of Agencies, San Francisco.

get him to take $5,000, but he wouldn't do it. In due course the policy was received, delivered and paid for. Three months later the wife called at my office in Honolulu. She was cheaply dressed in black and had her three children with her. She told me her husband had been killed and wanted to know if the policy, the corner of which was sticking out of the front of her dress, was of any value. I told her it was worth $1,000, but she would first have to submit regular Proofs of Death, which I would send on to New York, and a check should be send out in about five weeks' time. As she had no other money at all, she seemed greatly relieved and told me she thought it would be enough for her and her children to get to San Francisco, where she thought she would keep a small boarding-house and with the profits take care of the children and educate them. As she was anxious to go on the first boat possible I told the President of one of the banks in Honolulu about her, and he said to fix up all the papers, including Power of Attorney to enable him to endorse the death claim check from the Company, and he'd let her have the thousand dollars without interest immediately. This was done and the lady and her children went on their way to San Francisco.

As the years went by, I, of course, forgot all about this case, but about five or six years ago this woman called to see me to thank me for insisting on her husband buying that $1,000 policy. She said even if it wasn't very much, it was enough to give her a start in a little business that had proved reasonably successful—enough so, so that she was able to send all of her three children through college.

But it must not be supposed that the Drama of Life Insurance is composed merely of the tears of tragedy

or the laughter of comedy. Its real romance is found in the records of its almost humdrum daily helpfulness. One of the favorite "slogans" of the Agency Force of the New York Life is that the Company offers "not a commodity but a service." This claim is justified by the following incidents taken at random from the records. They are typical of scores upon scores of similar cases.

The official head of a large and well known corporation in the city of New York (publishing a group of industrial and engineering journals and many books in the field of commerce and industry, and probably the largest organization of its kind in the world) has stated, in some autobiographical recollections, that at the beginning of his career as a publisher, in 1886, a loan of one thousand dollars, obtained on a New York Life policy, practically saved his struggling firm from bankruptcy and put him on the road to the notable success which he later achieved.

During the panic of 1897 a famous New York hotel man of that day called on Mr. George W. Perkins, of the New York Life, to see if he could possibly borrow a substantial sum, offering the highest grade bonds as security and, of course, expressing his willingness to pay any rate of interest or charges which the Company should make. Mr. Perkins informed him that the Company was not loaning money on securities as an investment but that he could borrow to the full extent of the loan value of his life insurance policy. The hotel man produced his policy; it was examined; and he found that it would enable him to borrow from the Company a large amount, ample for his immediate needs, at a very reasonable rate of interest. He went away from the office with his money, his agony of mind being turned into rejoicing, and became an ardent ad-

mirer and stanch friend of the Company and its business methods. Ten years later, during the attempt to wrest the management of the Company from the administrative officers then in charge, this policy-holder was an ardent and able supporter of the Administration Ticket.

One of the leading representatives* of the New York Life has given the author an interesting account of what the Company was able to do for its policy-holders during the earthquake and fire which so seriously damaged San Francisco in 1906.

> I happened to be out there at the time, in charge of the Company's business. As you know, the entire business section of the city was burned and all the bank buildings were destroyed. The banks did not dare to open their vaults until about three weeks after the fire, and during those three weeks no one knew whether there was anything in the vaults or not which had escaped destruction. No man knew how much money he had in the banks, and even if he had a large balance he could not draw upon it. The result was that for a number of days after the fire there was little cash in San Francisco except such money as the citizens might happen to have had in their pockets on the night before the disaster.
>
> The three Branch Offices of the New York Life Insurance Company were burned out completely, but we saved our records and carried them out to Golden Gate Park where they were buried. As soon as the fire was under control we established an office in the burned district, in a building which was not entirely consumed. Carrying our records back to that office from their temporary burial place, we were ready for business. At that time

*Mr. William M. Harris, Inspector of Agencies, in charge of the Greater New York Department.

the Company was making loans to its policy-holders through its Branch Offices. I was able, after telegraphic communication had been re-established, to arrange to have twenty-five thousand dollars in gold transferred to me from the United States Mint, which was in a fire-proof building and had not been severely damaged. Then we inserted an advertisement in the papers, offering to lend our policy-holders sums of money, payable in gold on the spot, up to $200, with interest at 5% per annum. The banks were still closed and a man could not get any money out of the bank even if he had a million dollars there; but if he had a New York Life policy he could step into our office and get $200, and that was a great help. Our Company was the only life insurance company operating in San Francisco that was able to render this service to its policy-holders in this historic crisis. It created very wide and favorable comment at the time, and is talked about in San Francisco to this day.

A great manufacturing company in East St. Louis was hampered in the panic of 1907 for the lack of cash, which it could not obtain from its banks. It needed $40,000 to meet its payroll. The banks were paying their depositors in scrip and business firms in turn were paying their employees in scrip. But this payroll in scrip was discounted by the local merchants in East St. Louis at a rate as high as 10%, so that the employees of this particular concern refused to accept scrip and threatened to "walk out" if they were not paid in cash. In his despair the president of the corporation went to the representative of the New York Life, with whom he had done some business, to find out if it were possible to borrow cash. On examination it was found that he and his coexecutives had insur-

ance enough to warrant a loan of $40,000. A telegram was sent to the Home Office and currency was shipped out from the Home Office to meet the exigency, and a disastrous labor conflict was averted. The president of the corporation afterwards said that this action on the part of the New York Life probably saved his company a money loss amounting to many times the face of the loan.

A former president of one of the most important manufacturing concerns of its kind in the world, located in Philadelphia, who is a large policy-holder in the New York Life and a member of its Board of Directors, has told the author that a loan of something over $100,000 on the policies owned by himself and one of his partners enabled his firm to meet the cash demands of the panic of 1907 and save it from serious financial embarrassment.*

Such incidents raise the question whether too much emphasis in the past has not been laid on the idea of death in approaching prospective policy-holders. Have not insurance salesmen too often appeared to be advocates of Death Insurance rather than Life Insurance? The history of life insurance substantiates the assertion that the insured *protects* his family but *benefits* himself when he takes out his policy. In the year 1929, for example, the New York Life paid to living policy-

*Some reader may wonder how, in the currency panic of 1907, the New York Life could supply its policy-holders with cash when the banks could not. The explanation is simple. Large amounts of cash are received daily over the counter in the Home Office for the Company drew for its cash requirements when the banks failed to perform their function. The establishment of the Federal Reserve System has practically removed all danger of a recurrence of "currency panics" like that of 1907.

holders two dollars for every dollar that it paid to the beneficiaries of deceased policy-holders.*

The real drama of life insurance consists, not in the sporadic cases of violent crime and contemptible fraud which it occasionally exposes, nor in the tragedies of death which it constantly alleviates, but in the fact that it is one of the most effective social institutions ever established by man for making life ampler, happier and more efficient. A first-class mutual life company, like the New York Life, is in fact an "Investment Trust" of the soundest and securest type.

*For the year ending December 31, 1928, the records of 264 companies (practically every legal reserve life insurance company doing business in the United States) show that of the total payments on policy contracts ($1,781,722,502) the payments to living policy-holders amounted to $1,044,738,262, or 58.6% of the total. These figures do not include cash loans to policy-holders—A. R. Grow.

CHAPTER XVI

Government Regulation

DOCTORS and actuaries have followed scientific methods in creating their systems for the regulation of life insurance. Governments have not. Probably they never can, for government is an experimental art not a mathematical science. In its relation not only to life insurance but to all its corporate activities a democracy must act on what the lawyers call the rule of trial and error. When an assumed condition or state of facts is found by the trial of experience to be erroneous the assumption must be modified until the error, if not wholly obliterated, is at least finally brought to an irreducible minimum. This is the rule that legislatures have followed in regulating life insurance, but some of the errors which trial has revealed are still glaring and have yet to be corrected.

In some respects the existing system of government regulation has been needed and is beneficent; in some respects it is obstructive, useless and unjust. It is not the purpose of this chapter to attack the principle of government supervision, nor even to suggest specific remedies for its defects, but merely to outline the development of insurance legislation, point out its virtues and its vices, and state some general principles.

For a long time prior to the Insurance Investigation of 1906 all corporations, including life insurance corporations, in their desire to check unsound legislation and sometimes to promote what seemed to be sound

legislation, had fallen into undesirable relations with State legislators and had indulged in practices which were not only unwise but had come to be in some phases almost scandalous. Following the investigation of 1906 the New York Life came to the conclusion that an enlightened public opinion is the only power that can properly influence legislation and to this end it has constantly urged its policy-holders to remember that government regulation of life insurance is a matter of vital interest to them. It was this purpose that led President Kingsley, at the dedication of the new Home Office on December 12, 1928, in an address broadcast by radio, to say to the policy-holders throughout the country:

> I am, in this radio talk, spending a considerable sum of your money to reach you directly, in order to break through the barriers that tend to make you forget that this Company is yours, that it has no capital stock, that it pays no dividends to any one but you.
>
> I especially want you to understand that if the Company is taxed unreasonably by the Federal Government or by any State, you pay the tax. Of course, any tax on Life Insurance (which is itself a tax) beyond a sum which will cover the cost of governmental supervision, is economically unsound.
>
> In the future I apprehend that many Presidents of Life Companies will speak to groups of policy-holders direct, on taxation or other subjects. The radio is likely to put the old-style "Legislative Agent" completely out of business.

The rapid increase in the taxation of the savings of life insurance, both by the Federal Government and by the separate States, has laid an almost intolerable

burden on American family life. This burden is a matter of grave concern to the officers of all far-seeing life companies and should also be to policy-holders who furnish the premium income upon which the taxes are based. During the past thirty-five years the taxes paid annually by the New York Life have increased thirty-fold, from about two hundred thousand dollars in 1893 to six million, four hundred and sixty thousand dollars in 1928. This huge sum has come out of the pocket-books of the policy-holders. A large portion of the Company's surplus or dividends which should be returned to the insured is absorbed by this compulsory contribution to the State and Federal Governments, a fact which too often escapes the attention of the policy-holder. No reasonable man objects to the collection of taxes where assessed only for the purpose of meeting the normal expense of governmental supervision, as in the case of England or the Dominion of Canada, but the collection from policy-holders, simply because their money is easily accessible, of enormous amounts for general government expenditure is not only unjust but is a violation of the principles of sound political economy. In Great Britain a large percentage of insurance premium payments is exempt from taxation, but in the United States thrift is discouraged through the abnormal taxation of Savings laid aside to pay for life insurance.* In commenting on the Federal Income Tax regulations for the year 1929 an influential Western newspaper† remarks: "Now that the income tax blanks have been distributed we rise to inquire why the law does not permit deductions of premiums paid

*For the statistics of Federal and State taxation of life insurance the author is indebted to Frederick L. Brown, Chief of Taxes and Warrants Division, Comptroller's Department.

†Editorial in the Chicago *Tribune*, January 28, 1929.

upon life insurance. When a man's income is derived from an industrial plant and equipment or from real estate he is permitted to make a deduction for the annual depreciation to machinery or buildings. Most men with a sense of responsibility to their dependents set up a depreciation reserve to provide for the eventual extinction of their capital and themselves. They call it life insurance. It is hard to see why the depreciation of one kind of capital should be tax free and the depreciation of another kind of capital should be taxed. It is that discrimination of the law which is in need of correction."

Next in importance to the inequalities of taxation come the inequalities in the regulations imposed by the separate States. In order to give the reader some impression of the complications involved in the varying and often conflicting laws about life insurance in the forty-eight States of the Union the growth of the system of State regulation must be briefly reviewed.

In organizing the New York Life in 1845, all its incorporators had to do was to obtain a charter from the Legislature. There were no special statutes or body of laws to tell it how it was to do business. It is true that a half-conscious suspicion of "big business" lay dormant in the public mind which was to culminate fifty years later in the repressive features (now partially modified by trial and error) of the Investigation in 1906. In 1830, when the New York Life Insurance and Trust Company was chartered, the New York Legislature limited the maximum of its deposits to $5,000,000 and of its loans and discounts to $6,000,000.* Of course such an artificial restriction was

*_Militant Life Insurance,_ D. P. Kingsley. The New York Life Insurance and Trust Company had no connection with the New York Life, soon ceased writing life insurance and confined itself to bank-

found to be uneconomic and contrary to the public welfare and was eventually repealed. But this lesson in economics was forgotten or ignored when the amount of insurance which a mutual company could write in a given year was limited by the New York laws of 1906.

When the business of American life insurance started to grow rapidly in the decade from 1840 to 1850, legislators began to look upon it with mixed feelings. They "viewed with alarm" (probably with sincere, even if mistaken, regard for the public interest) this new manifestation of the "money power"; and (with not quite so single an eye on general civic welfare) they viewed with complacency the new opportunity to increase by taxation the revenues of their respective States. At one time in the early days Pennsylvania laid a tax of 20% on premiums collected within its borders by companies chartered in other States. This practically amounted to excluding all but Pennsylvania companies from transacting business in the commonwealth established by William Penn. Possibly this prohibitory restriction was a sub-conscious result of the influence of the Penns, who were such inexorable tax-gatherers in colonial days that it took all the sagacity and tact of Benjamin Franklin to free the struggling colony from their grasping hands. Tested by trial and error the preposterous tax of 20% imposed on life insurance by Pennsylvania solons had soon to be rescinded.

In 1851 the New York Legislature passed a law

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ing. Many years later it was merged with the Bank of New York and Trust Company which today has deposits of $84,964,000 and loans and discounts of $54,493,000. These figures suggest the thought that the folly of attempting by legislation to suspend the operation of natural economic laws is comparable to the absurdity of Mrs. Partington, who tried to sweep back the Atlantic Ocean with her mop.

requiring all companies to deposit $100,000 with the Comptroller of the State. This resulted in the withdrawal from New York of twelve companies organized in other States, and in the passage of retaliatory laws by several of the State Legislatures. For many years this war between the States over life insurance went on in which the weapons were conflicting and retaliatory enactments and statutes. Controversies between the State of New York and some of the New England States compelled the New York Life to cease to do business in Connecticut and Massachusetts in the year 1852. These differences, however, were sufficiently composed so that in 1854 and 1855 the New York Life returned to New England, although it was many years before the New England business became important. As late as 1890 the Company again withdrew from Massachusetts because of a conflict with the Insurance Commissioner of that State over a certain policy-form. This conflict was happily settled by a treaty, and the Company has reëstablished a domicile in Massachusetts and lives there at peace with the authorities. It is an example of the irony of fate that the State which helped to precipitate the American Revolution by its revolt, in the memorable Boston Tea Party, against unjust taxation, should itself have turned despot and driven from its borders by undemocratic restrictions an organization whose constant motive has been the promotion of the general welfare. However, in this war for State Supremacy Massachusetts was hoist with its own petard as may be surmised from a complaint of the State Mutual Life Insurance Company of Worcester which embodied the following paragraph in its annual report for the year 1856: "The legislation of most of the States of the Union upon the subject of Life Insurance has become so stringent that this company is almost

necessarily confined in its operations to the Commonwealth of Massachusetts."

In an attempt to do away with these destructive conflicts and to reduce the ensuing confusion to some sort of order the State began to organize Insurance Departments as bureaus of their executive administrations. Such a Department was created in Massachusetts in 1854 and in New York in 1859. Gradually this system spread until now practically every State has such a Department with an Insurance Commissioner at its head. By conferences and conventions these Commissioners have made a sincere effort to deal justly with the problems presented to them and to unify as far as can be the practice of their Departments. But one has only to consider the difficulties that have beset the endeavor to establish a League of Nations in international affairs to realize how impossible it is for forty-eight independent sovereigns to agree on a uniform treatment of their respective subjects.

Charles Evans Hughes probably knows more about the essential principles and administrative problems of life insurance than any other public man or private citizen not actively and daily engaged in the business. It was he who caused to be framed the insurance laws of 1906 and who favored their amendment from time to time under the rule of trial and error. It was he who in 1913, when a justice of the Supreme Court, dissented from the prevailing opinion of that Court, that life insurance is not interstate commerce. His view of the usefulness of supervision by the separate States should, therefore, carry great weight with those who are considering the problem. That view is implied, if not directly stated, in an address which Mr. Hughes delivered in 1926.* He then said:

*Address at the Twentieth Anniversary Convention of the Association of Life Insurance Presidents at New York, December 9, 1926.

> Manifestly the interests are too vast and those dependent upon your management are too many, to permit such enterprises to be conducted without legal restrictions and appropriate public supervision. The State undertakes to supply these. It would be the highest misfortune if confidence in this supervision were shaken by attempts to make the supervisors the protégés or lackeys of those who are supervised. *It would be equally disastrous if State supervision were incompetent, capricious and constituted an interference rather than a help. Supervision of the life insurance business is not as difficult an administrative duty as railroad rate-making, for example. But it does demand a high degree of technical knowledge, and it absolutely requires honesty and intelligence.* I am glad to believe that in the past twenty years there has been a great improvement in the administration of State departments of insurance. Proper measures of protection are better understood and more wisely applied. There is not only coöperation between the life insurance companies in the interest of policy-holders, and to secure improvement in direction and management, but there is a better and more intelligent coöperation between the states and the insurance companies than in the past.

Is it not a fair inference from the phrases which the author of this book has taken the liberty of putting in italics, that Mr. Hughes doubts the complete efficiency of State supervision, notwithstanding the improvements to which he alludes, and would prefer the uniformity of Federal supervision?

In 1909, since when there has been little or no relaxation in insurance law-making, Professor Zartman of Yale said to his students in the Department of

Political Economy:* "From 1860 on, nowhere else in the world have so many laws, attempting to regulate the business to such a great extent, been enacted as in the United States. . . . In many cases the climax of State regulation has been reached. Any further attempt at control would result in the States taking over the active management of the business."

Those who believe in state socialism as a form of government would doubtless welcome such a revolutionary change. But those who believe in the American system of private initiative in business, under such government supervision as will promote justice for all, will perhaps be impressed by Dr. Zartman's implication that the dangers of bureaucratic government in the divided political structure of this country are not imaginary but real.

This volume, however, is not a philosophical treatise on government but a record of events and so it must be said, in the phraseology of President Cleveland, that it is a political condition and not a political theory that at present affects the daily work of life insurance executives. That condition is State supervision and under it, in spite of some friction and many vexatious difficulties, the New York Life now does business in every State of the Union except in the State of Texas. There the Company writes no policies because of what it believes to be the unjust exactions of the laws of Texas regarding insurance. In his address at the dinner given to celebrate the opening of the new Home Office, President Kingsley expressed the feeling of the New York Life about Texas in these words: "We were, before the World War, active in all the consider-

**Yale Readings in Life Insurance,* Lester W. Zartman, Ph.D., Yale University Press. Dr. Zartman's chapter "Mistakes in State Regulation" is a calm, impartial, constructive and readable review of the entire problem of government regulation.

able countries in the world. We now do business in all the States of the Union except Texas, and in one foreign country, Canada,—and Canada is to us only technically foreign, much less foreign than Texas."

There is only one practical remedy for the friction, injustice and confusion which exists under the present system of government supervision. That remedy is to have the unification of Federal regulation substituted for the diversification of State regulation. It must be admitted that there are some experts who shrink from this cure on the ground that we should "rather bear those ills we have than fly to others that we know not of"; and that the introduction of Federal supervision would, in effect, not only fail to abolish State supervision but would merely add to its complications. Nevertheless the long and often painful experience of the American people has taught them that the nation-wide character of certain public utilities demands National instead of State control. The "wildcat" currencies of the State banks preceding the Civil War led to the passage of the National Banking Act of 1863 and until the Federal Reserve System was created the National Banking Act, in its supervisory features, was a model of its kind. The inefficiency of State control over railways led Congress to enact the Interstate Commerce Law of 1887. Under that law the functions of Federal supervision have been widely and successfully extended. President Roosevelt proposed that all business corporations submitting to a prescribed form of Federal supervision might take out a Federal charter and thus be exempt from State interference. But this proposal failed to impress Congress favorably. In 1909 President Taft appointed a commission, of which Arthur T. Hadley, President of Yale University, was chairman, to consider railway regulation. That commission recom-

mended "that railway companies be permitted to incorporate under the Federal statute, which would thus do away with conflicting State laws in regard to incorporation." This suggestion, however, has never been adopted.

Life insurance companies are still, therefore, the creatures of the States where they are incorporated. They do not even enjoy the protection afforded by the Federal Government to corporations engaged in interstate commerce, for the Supreme Court of the United States has more than once maintained the doctrine that the business of life insurance does not fall under "the Interstate Commerce clause of the Federal Constitution for the reason that the business of insurance is not commerce." This doctrine was first promulgated by the Court in the famous case of Paul versus Virginia in 1868. Its latest affirmation was in a case* on appeal by the New York Life Insurance Company in 1913 when the Court, Mr. Justice McKenna delivering the opinion, again decided that the business of life insurance is not interstate commerce. From this decision Mr. Justice Hughes and Mr. Justice Van Deventer dissented, a significant indication that the principle involved is still open to discussion.

The author of this volume does not wish to lay himself open to the accusation of lese-majesty. He recognizes that the Supreme Court is the one indispensable cornerstone of the Republic, and that its decisions are, and ought to be, bowed to with respect and obedience. But it may be pointed out that the Court is human and that its history shows that its opinions and dogmas are subject to the changes which modify all the opinions

*New York Life v. Deer Lodge County. In this case the plaintiff sought to recover taxes, imposed by a law of the State of Montana and paid under protest, on the ground that the tax was an illegal burden on interstate commerce. 231 U. S. 495.

of mankind as civilization progresses. Moreover, the Supreme Court, being human, may be subconsciously affected by practical considerations which lie outside of the limits of legal philosophy. A well known constitutional lawyer, who argued before the Supreme Court one of the cases in contention of the claim that life insurance is interstate commerce, has said to the writer that the Court may have hesitated to render a decision which would have abolished the forty-eight Insurance Departments of the various states, with all their political and financial dependents, and thus create a new furor in the everlasting controversy over States' Rights. This not unprecedented motive will disappear when the people get clearly into their minds the conception that the administration of life insurance is a national problem. The American electorate has never, in the long run, allowed local interests to thwart permanently the national welfare.

President Kingsley has for twenty years, in and out of season, urged that life insurance is a branch of interstate commerce and as such should come under Federal jurisdiction. He has presented many and cogent arguments in support of this contention, but never more effectively than in an address before the National Civic Federation at New York in 1909: "An applicant for life insurance lives in New Jersey and I have a policy on his life ready for delivery on my desk. If I telegraph him about the policy, the message is interstate commerce. If I telephone him about the policy, that is interstate commerce. But if I send the policy itself to him by hand or through the mails or by express, that is not interstate commerce."

That there is some hope that the policy-holders of the United States may be relieved by the Supreme Court of their present burdens is found in one significant fact. Many of the States, a few years ago, en-

couraged, perhaps, by the attitude of the Supreme Court towards life insurance, passed laws forbidding life companies from transferring their suits at law from the State Courts to the Federal Courts under penalty of having their corporate franchises taken away from them if they attempted such a transfer. The Supreme Court, however, was not ready to go as far as this, and it declared these attempts of the State Legislatures to deprive the insurance companies of the protection of the Federal Courts to be unconstitutional.

One hundred billions of dollars of life insurance is now outstanding in this country. This staggering sum gives American policy-holders a "vested interest" in an amount of property never before accumulated in a specific form of wealth in the history of the world. Something must be done to put this form of wealth under legal supervision that shall be just and at the same time efficient. Something doubtless will be done when the policy-holders as a group wake up to the fact that they have at stake, in the memorable phrase of Dr. Samuel Johnson, "the potentiality of growing rich beyond the dreams of avarice." Whether the relief will come by educating the country (and the Supreme Court with it) to see that life insurance is really interstate commerce, or by adopting the suggestions of Theodore Roosevelt and President Hadley of Yale and making life insurance companies Federal corporations rather than State corporations, is not the province of this book to determine. But it is clear that sooner or later an enlightened public opinion about the incalculable social value of life insurance must be created in order that government supervision may constructively conserve the vast accumulations of thrift and saving for which the life insurance companies of the country are the trustees.

CHAPTER XVII

The Future

Two hundred and fifty years ago, when the dissolute king, Charles II of England, was still Prince of Wales, his tutor, the Earl of Newcastle, wrote to him urging him to read "the best chosen histories" so that he "might compare the dead with the living, . . . see the excellency and errors of both kings and subjects" and thus grow more mature "in wisdom and judgment" than he could possibly be "without this help."

It is with this estimate of the value of history in mind that the preceding chapters have been written. They have at least shown that the New York Life is a social organism following a process of orderly evolution for nearly a century; that its roster contains the known and unknown names of thousands of men and women, a nation within a nation so to speak; and that this organism is greater than any one man or set of men. There have been, as there are in every nation, some persons who have violated its principles and have been recreant to their trust, but they have been very few and they may safely be allowed to rest in the refuge of oblivion. The great body of workers in this organism, to continue the national simile, have been patriotic and loyal. These loyalists have contributed to the traditions which make the story of Nylic an inspiring one. Every great organization has had its heroes, the record of whose lives and personalities has been a source of encouragement and strength to the

generations who have come after them. Hero worship is not a bad cult. The stamina of the race has been invigorated by it. This heroic aspect of history once led Mr. Kingsley to say: "Around every institution that really serves humanity traditions inevitably cluster; the history of the New York Life is particularly rich in this respect." It will be the duty and privilege of those who conduct the great Nylic enterprise in the future to familiarize themselves with its traditions, respect them and to add their individual quota to them.

Professor James T. Shotwell, a wise and clear-thinking professor of History at Columbia University, discusses in one of his essays* the relations of History to the future:

> There was a time—before the modern era—when the future merely repeated the past, when life was continued in an unbroken routine and the coming years were simply like those that had gone before. But the era in which we are now living is the very opposite of this, and the only sure generalization that the political scientists can make upon the future is that it will be increasingly different from the past. . . . The starting point for an understanding of the possibilities of the future lies in a greater knowledge of the facts of the past and the present.

Having in the preceding chapters surveyed the history and traditions of the New York Life, having made a résumé of the salient facts of its past and present, the minds of both writer and reader naturally turn to the future. What the future has in store for life

**The Next Four Years,* by James T. Shotwell, in the New York *Herald Tribune* for Sunday, March 3, 1929.

insurance no one knows, but it is not unreasonable to indulge in some interesting speculations about it.

For one thing life insurance is likely to have a continually increasing influence on individual and public health. Allusions to the importance of an efficiently organized Medical Department and to the effect on the institution of life insurance of properly enacted Public Health laws are found in the earliest minute books of the Board of Trustees. At the meeting of January 28, 1863, President Franklin submitted to the Board a report written in longhand and covering twenty pages of foolscap. Among other things he said that the Company was having great difficulty in the selection of responsible and reliable medical examiners who would efficiently and honestly coöperate with the Company in preventing "the great frauds which may be perpetrated by evilly disposed persons." He therefore recommended "the appointment of a competent medical man, if such could be procured for a reasonable compensation, to visit the principal points where we now have or design to establish agencies, and to ascertain from personal interviews the qualifications of individuals nominated for appointment" as local medical examiners. This recommendation was adopted and thus the office of Medical Director was created.

At the meeting of the Board of Trustees on December 13, 1865, it was reported that a committee of distinguished New York citizens had applied to the executive officers for a subscription of $500 to aid in preventing the spread of cholera, "and especially to promote the speedy passage of the Health Bill which for several years has been presented to the Legislature and defeated through political influences." The executive officers made the subscription on the understanding that if the Trustees did not ratify it they would be

relieved by the citizens' committee of the obligation. The Trustees did ratify it, and thus appears the first record of the Company's official recognition of Public Health as a legitimate part of the institution of life insurance.

From this primitive beginning has grown the present highly organized medico-actuarial work of the New York Life. In 1909 forty-three of the leading life insurance companies of the United States and Canada made a joint mortality investigation under the title of the Medico-Actuarial Mortality Investigation of which the Chief Actuary of the New York Life, Arthur Hunter, was Chairman. Under his chairmanship this Committee has continued to conduct scientific studies of insured lives. Its statistical conclusions regarding the effect on longevity of hazardous occupations, of hereditary tendencies, of personal history, of various diseases and of habits with regard to drink have proved to be of great technical and educational value. In the original investigation there were two million of insured lives involved and the investigations since that time have covered many millions more. The new investigation now in process covers the effect of blood pressure on longevity, of tuberculosis in the family history and of albuminuria, glycosuria and heart murmurs on mortality. Indeed nearly every impairment which comes before the insurance companies for consideration is subjected to study. Here is a working machine, maintained by the companies collectively, which is enabled to assemble and distribute information regarding health such as no other human agency can furnish. It substitutes a body of facts regarding life which, in the great majority of cases, have until recently been based on impressions. Its future effect on the physical improvement of the race may prove

to be of importance which cannot now be estimated.

Life insurance now is, and will almost certainly increasingly be, a factor in the moral and intellectual betterment of the nation. The reader will have already learned that the "moral risk" is one of the important elements in determining insurability. Before a policy is issued careful inquiry is made as to the character of the applicant,—his standing in the community, his financial responsibility, his reliability in fulfilling a contract, his reputation for integrity, sobriety and fair dealing. Questions bearing on these points are asked in the application blank, which is a part of the policy contract, and unsatisfactory answers frequently result in a postponement of the issuance of the policy and sometimes in a final declination. Membership in a mutual organization like the New York Life may some day become a mark of social distinction, like membership in a high class club or in a patriotic organization like The Sons of the Revolution. When that day comes family history and personal qualities may take on a new meaning in the United States.

The effect of life insurance on the political structure of the United States is already manifest and is likely to grow. Someone has said that "life insurance is a substitute for socialism in that it distributes the losses of the few amongst the many without diminishing the incentive to personal effort." It is certainly a prophylactic against the kind of communistic pseudo-socialism which has disrupted Russia. For every policy-holder in a mutual life company is a capitalist and becomes an owner, to a greater or less degree, of the railways, public utility companies, real estate developments and other productive industrial enterprises which have given the United States an unprecedented position of prosperity in the history of civilization.

The history of life insurance affords the basis of a forecast of the evolution of democracy from the elementary town-meeting stage to the more highly organized form of representative government. The basic principle of American democracy is that the people shall have the opportunity of exercising a free choice in the selection of their political administrators. They themselves can be educated to put limits upon that choice. Indeed, they themselves have so limited it. They do not permit the insane, criminal, illiterate or alien to vote. A man cannot be chosen President who is foreign-born or so young as to be inexperienced or injudicious. In monarchical England William Pitt was chosen Prime Minister, or Chief Executive, when he was less than twenty-four; in democratic America a man cannot be elected President, or Chief Executive until he is at least thirty-five. Someone may ask what all this has to do with life insurance. The answer is that a mutual life company is a microcosm of democracy at its best. It is a government of the policy-holders, for the policy-holders, by the most *highly trained* policy-holders. In this respect life insurance sets a standard for the political democracy of the future.

Consider, moreover, the possible future influence of life insurance on coöperative finance and the regulation of industry. When the policy-holders increasingly buy through the Finance Committees of the life insurance companies railroad bonds, preferred stocks, real estate mortgages, public utility bonds, municipal bonds and the bonds of industrial enterprises, and decreasingly invest in the offerings of irresponsible promoters, there will be less need than there is now for "blue-sky laws" and Post Office orders excluding swindlers from the mails.

Are these glimpses into the future merely visionary? There are those who say that the essential qualities of human nature are unchangeable, that the laws of sociology are the same today as they were in the days of the Medes and the Persians. But in view of the extraordinary developments of physical science, even in the twentieth century, how can any thinking man assert that the future has not in store some equally remarkable developments in the science of sociology? Within the lifetime of living men physicists declared certain propositions to be axioms which are now proved not to be axioms at all. Matter was only a few years ago supposed to be impervious to the rays of light and sound. The X-ray and the radio have shown the error of this hypothesis. The atomic theory has changed our whole conception of the nature of matter. A paragraph from a recent essay by Dr. Julius Stieglitz,* puts this change in startling phraseology.

> The great English chemist John Dalton was the first to demonstrate clearly that the chemical elements consist of atoms; that each element has its own kind of atom of a characteristic mass or weight, and of specific chemical activity. The atomic theory has been an extraordinary aid to chemistry in its aim to penetrate to the most intimate knowledge of our world and through chemistry the theory has been of the greatest benefit to mankind. It has been so because it has carried the powers of analysis and the penetration of knowledge far beyond the limits of our most powerful microscopes. This will be understood if we consider that a single drop of water contains 2×10^{21} molecules of water, each molecule consisting of

*Julius Stieglitz, Ph. D., Professor of Chemistry at the University of Chicago, in *Chemistry and Medicine*, published by the Chemical Foundation, New York.

three atoms, two of hydrogen and one of oxygen, as expressed by the well known formula H_2O. To grasp the meaning of this number $2x10^{21}$, consider that there are nearly 2,000,000,000 people on the face of the globe and that if each one of these were to count three molecules of water per second, it would take all of the inhabitants of the earth something over 10,000 years to count the molecules in one drop of water.

When such a change can be made in a few years in our understanding of so familiar and age-old a substance as water, there is surely justification for those who look forward to a complete transformation of our notions of the political and social relationships of the human race. One of the sanest and finest of modern philosophers takes this view. The late Josiah Royce of Harvard has written more than one essay* to sustain his belief that the principle of insurance may recast not only the economic but the idealistic relations of human society. He believes that the principle of insurance properly applied may not only develop the highest form of national life but may abolish war and create a basis for the right kind of internationalism. "There is," he says, "a type of business which has been invented only within a little more than a century. In origin it is due to no poet and to no prophet. . . . The social transformations which it has already wrought within the communities of single nations are not due to the spread of socialistic doctrines or to any notable political tensions or strifes within the communities which have thus been influenced. The form of business which I have in mind is the form known as

*_War and Insurance_ and _The Hope of the Great Community_ are two small but pregnant books by Josiah Royce, published by the Macmillan Company.

insurance. . . . What has been proved is that the type of business called insurance is so plastic and has such vast direct as well as indirect effects, that, within a single nation, if the purpose is to give a community such unity and such organization as naturally hold the attention and even the practical loyalty of the members of the community, the insurance type of organization is the best type invented for the purpose."

If it be said that this is the view of a theorist let us see what an insurance expert has to say about it. The President of the New York Life* has drawn a picture of the social revolution that conceivably may be effected by life insurance in the future.

Even we who are engaged most aggressively in Life Insurance probably fail to grasp adequately what it is doing and what it is likely to do.

The whole country gasped a bit recently when the announcement was made that our outstanding promises to pay now total $100,000,000,000. . . .

The really amazing thing in this bit of "news" was not the size of the figures but the extent of the public service which these figures represent and the prophetic significance of that service.

Life Insurance really represents a peaceful social revolution. It is democracy in a new form and in a new field; it is a coöperation in a truly democratic way between units which represent all the real values of the world. . . .

If now I claim that recent discoveries in science anticipate the evolution of a form of society higher in its aims, more splendid in its ideals and achievements than

*Darwin P. Kingsley, in an address entitled "Medicine Men and Machines" delivered at the Agency Directors' Convention held in St. Petersburg, Florida, in January, 1930.

the forms of society now existent, will you follow me or will you think I am a dreamer?

Science which now sends the human voice round the world, which routs disease from its lair and destroys it, which has substantially eliminated time and distance, calls for a corresponding social structure, a structure as different from ours as ours is different from that of the stone age. . . .

Life Insurance is a declaration of interdependence; a declaration of freedom. There is no such thing as complete independence possible in our world and in our day. Freedom is possible and it is coming through the use of physical and social machines and the master machine which applies all production and efficiency to the solution of the greatest of all problems, sociology, is life insurance.

If you doubt that read the recent correspondence files of any considerable life company. ..You will find letters expressing gratitude for the existence of one financial institution that can be depended on... Look at the records of the Policy Loans Division and observe the thousands of cases in which this recourse has saved men from financial ruin.

In the midst of this recent cataclysm, when even strong men lost their heads, and panic ruled, did anyone question the soundness of life insurance? Did anyone suggest that life insurance policies would shrink like common stocks and even bank stocks? No one made such a suggestion. No one even thought of it. Why not? Because the life insurance agent has taught a majority of the people that there is a section of Society from which the financial incantationist and the financial witch doctor have been banished.*

Back of all the follies of speculation, fighting all get-

*The collapse of the stock market, November, 1929.

rich-quick schemes, stood and stands this great machine called Life Insurance. It has gathered the money of the people, put it into sound and creative enterprises, holds it outside the world of speculation and is today, as never before, the herald of a new order—an order based not on the independence but on the interdependence of men.

When society has cast out all the medicine men and witch doctors, when we have five hundred billions of insurance in force backed by a hundred billions in sound securities owned proportionately by one hundred and fifty to two hundred million people whose annual per capita productive power is so high that while they are perhaps in numbers only one-fifteenth of the population of the world, they control and direct more energy and turn out more useful products, outside of agriculture, than all the remaining people of the world combined,—when we have all that, we shall have achieved a social revolution kindred to those physical upheavals which sunk and raised continents, upheavals which have changed the fauna and the flora of the entire earth. That productive capacity by this nation is already in sight. The vast financial and sociological machine which present-day Life Insurance vividly foreshadows is just a few generations ahead.

This forecast of the future from one who is a practical man of business, and yet who is not afraid to philosophize about the mysterious and inspiring evolution of the human race, forms an appropriate conclusion to a volume in which the aim has been to unroll a small part of the endless panorama of that evolution.

THE END

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